



**ESSEX POLICE, FIRE AND CRIME**  
**COMMISSIONER FIRE AND RESCUE**  
**AUTHORITY**

**2018/19 ACCOUNTS**

Published 10 December 2019

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# **NARRATIVE REPORT**

## **BY THE CHIEF FINANCE OFFICER**

### **1 Introduction**

The Authority's financial performance for the year ended 31 March 2019 is as set out in the Comprehensive Income & Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting United Kingdom 2018/19. It is the purpose of this report to explain, in an easily understandable way, the financial facts in relation to the Authority.

### **2 The governance role of the Fire Authority**

These accounts cover the first full year since Roger Hirst was appointed as the country's first Police, Fire and Crime Commissioner on 1st October 2017. During the year the Service has strengthened its financial position, developed our ability to manage risk and designed a challenging and ambitious new strategy for the Service, the Fire and Rescue plan. This is available at:

<http://www.essex.pfcc.police.uk/wp-content/uploads/2019/02/ECFRS-Fire-and-rescue-plan-190228-WEB.pdf>

Full details of governance arrangements are set out in the governance statement below.

### **3 Review of the year**

The Fire and Rescue Statement and Annual report covers the year and includes highlights of the year, performance against targets and our progress on improving the service for the public.

This report shows a service with a new leadership, a stable financial position, strong commitment to collaborating with other emergency services and a Service that has opened up recruitment for wholetime firefighters for the first time in nine years.

The Authority has continued to deliver for the people of Essex, this includes engaging with vulnerable groups, fitting smoke alarms across the county, and working in schools to educate young people. This has coincided with a continued reduction in the number of injuries resulting from primary fires.

At the same time the service has also responded to over 15,000 incidents 4,937 of which were fire and 6,292 which were false alarms.

Other developments in the year include:

- The appointment of Jo Turton as the new Chief Fire Officer/Chief Executive.
- Recruitment of a new Service Leadership Team.
- First wholetime firefighter recruitment in nine years including campaigns to encourage more women and BAME to apply.
- 8,553 Safe and Well visits.

- Establishment of 11 drop in centres for Police Officers in key fire stations across the county.
- Joint school safety visits with Essex Police covering 82% of all schools in Essex.

The full version of the Fire and Rescue Statement and Annual Report can be found here.

[https://www.essex-fire.gov.uk/img/pics/pdf\\_1572950213.pdf](https://www.essex-fire.gov.uk/img/pics/pdf_1572950213.pdf)

## 4 The Statement of Accounts

This Statement of Accounts explains the Authority's finances during the financial year 2018/19 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Authority's Statement of Accounts for the year 2018/19 comprise:

### 4.1 Comprehensive Income and Expenditure Statement

This statement, as set out on page 30, shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation. Authorities receive government grants and raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the two positions is shown in the Movement in Reserves Statement.

### 4.2 Movement in Reserves Statement

This Statement, as set out on page 31, 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 unusable reserves. The statement also shows the change in the general fund balance and the discretionary transfers that are undertaken to or from earmarked reserves.

### 4.3 Balance Sheet

The Balance Sheet, as set out on page 32, shows the value at the end of the year of the assets and liabilities recognised by the Authority. The net liabilities of the Authority 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'.

At the year end the Authority had **£136.8m** of long term assets, mainly comprising fire stations, offices, workshops and fire appliances. These are funded by **£24.5m** of long term loans. The Authority's general reserve stood at **£7.9m** and the earmarked reserves decreased by **£0.1m** to **£5.7m**.

## 4.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 33, 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.

## 5 Firefighters' Pension Fund

The Firefighters' Pension Fund provides pension and other retirement benefits to the Authority's former firefighters. The accounting statements of the Fund are included within this Statement of Accounts. They comprise:

### 5.1 Firefighters' Pension Fund Account

The statement as set out on page 73 summarises the Firefighters' Pension Fund financial transactions for the year.

During the year 30 wholetime firefighters retired from the Service. As a result the payment of lump sums was **£3.9m** in 2018/19 compared to **£3.1m** in 2017/18. The amount due from the Department for Communities and Local Government was **£4.9m** at 31 March 2019.

### 5.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 73 summarises the net assets relating to the provision of pensions and other benefits payable. Further information is provided in the Notes to the Pension Fund Account.

## 6 Revenue Budget and Expenditure

In 2018/19 the Authority's total planned net expenditure was **£72.2m**. The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

Just over half (61%) of the net expenditure of the Authority is funded by Council Tax, payable by householders in Essex, Southend-on-Sea and Thurrock. The balance of funding is provided by central government, through a share of non-domestic rates and revenue support grant. Specific grants provided by the government, for example to support the Authority's Urban Search and Rescue unit are included in operational income.

2017/18		2018/19		
Actual		Latest	Variance	
£000		Approved	Actual	overspend/
Net Revenue Expenditure		Budget	(underspend)	
		£000	£000	£000
29,545	Firefighters	29,842	30,037	195
5,395	On call firefighters	6,401	5,636	(765)
1,364	Control staff	1,436	1,422	(14)
13,992	Support staff	12,959	13,330	371
<b>50,296</b>	<b>Total Employment Costs</b>	<b>50,638</b>	<b>50,425</b>	<b>(213)</b>
2,200	Support costs	1,803	2,010	207
9,866	Premises & Equipment	10,698	10,250	(448)
3,681	Other costs & services	3,583	3,248	(335)
2,185	Ill health pension costs	2,200	2,320	120
1,432	Lease and interest charges	1,551	1,380	(171)
5,150	Revenue provision for Capital Financing	5,492	4,973	(519)
<b>24,514</b>	<b>Total Other Costs</b>	<b>25,327</b>	<b>24,181</b>	<b>(1,146)</b>
<b>74,810</b>	<b>Total Gross Expenditure</b>	<b>75,965</b>	<b>74,606</b>	<b>(1,359)</b>
(4,800)	Operational Income	(3,732)	(4,239)	(507)
<b>70,010</b>	<b>Total net expenditure outturn</b>	<b>72,233</b>	<b>70,367</b>	<b>(1,866)</b>
<b>Funding</b>				
11,033	Revenue Support Grant	9,347	9,347	-
15,699	Non Domestic Rates	15,720	16,697	977
846	Council Tax Collection Account	688	702	14
42,783	Council Tax Precepts	44,241	44,079	(162)
(351)	Contribution (to)/from Reserves	2,237	(458)	(2,695)
<b>70,010</b>	<b>Total Funding</b>	<b>72,233</b>	<b>70,367</b>	<b>(1,866)</b>

During the year expenditure has been kept under strict management control thus ensuring that only essential expenditure was incurred.

Overall employment costs were **£0.2m** under budget for the year. The Authority continued to process the recruitment of whole time firefighters and during the financial year a cohort of 42 whole time firefighters joined the service.

Operational income is £0.5m over budget which includes additional funding for collaboration with Essex Police and higher grant income than budgeted.

The net outturn shows that a contribution of £458k was made to reserves in the year, £400k of which will be used to increase the earmarked reserve for Operational Training to £1m (page 50).

Net expenditure charged to the revenue account was £70.4m in the year, due to a number of technical accounting adjustments this figure is different from the cost of the provision of fire services, £85.5m, shown in the Comprehensive Income and Expenditure Account (page 30). A reconciliation between the two figures is given below;

<b>Reconciliation to the Provision of Fire Services per the Comprehensive Income &amp; Expenditure Statement</b>	<b>2018/19 £000</b>
Total Net Expenditure per Service Revenue Account as above	<b>70,367</b>
Depreciation	4,489
Impairment	(5,732)
IAS19 Pension adjustment	22,604
Transfer to/(from) Reserves	(546)
Transfer to/(from) Holiday Pay Account	330
Collection fund adjustment account	213
<b>Add Amounts not reported to management</b>	<b>21,358</b>
Interest payments	(1,301)
Interest and investment income	83
Capital Financing Provision	(4,973)
<b>Remove amounts not included in the Provision of Fire Services in the Comprehensive Income and Expenditure Statement</b>	<b>(6,191)</b>
<b>Provision of Fire Services per Comprehensive Income &amp; Expenditure Statement</b>	<b>85,534</b>

## 7 Capital expenditure

The table below provides a summary of the capital expenditure for the year:

<b>2018/19</b>	<b>Approved Capital Expenditure £000</b>	<b>Actual Capital Expenditure £000</b>	<b>Variance overspent / (underspent) £000</b>
Property	5,000	1,589	(3,411)
Vehicles	4,288	1,067	(3,221)
Information Systems & Equipment	2,748	877	(1,871)
<b>Total capital payments</b>	<b>12,036</b>	<b>3,533</b>	<b>(8,503)</b>
Internal Resources	12,036	3,533	(8,503)
<b>Total capital funding</b>	<b>12,036</b>	<b>3,533</b>	<b>(8,503)</b>

We invested **£1.6m** in our property portfolio mainly on fire stations and training facilities. In addition there was spend of **£0.9m** on ICT and operational equipment and **£1.0m** on vehicles. An extensive review of all planned capital expenditure was carried out in October 2018 which resulted in a number of projects being rescheduled or cancelled, and a revised forecast of £5.2m was agreed.

At 31 March 2019 the Authority had capital expenditure commitments of **£0.8m**.

## 8 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Acting Chief Finance Officer on 10 December 2019. There are no events after 31 March 2019 that need to be reflected in the financial statements or notes.

## 9 Borrowing

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 a loan of **£1.0m**, leaving the total loans at year end at **£27.0m** (£24.5m long term and £2.5 short term). These are all provided by the Public Works Loans Board. There was no new borrowing in the year.

The Authority had set a limit of **£38.5m** for external debt in the year.

## 10 EFA (Trading) Limited

The trading activities of the Authority were undertaken by a wholly owned subsidiary company EFA (Trading) Limited. The business of the company is to sell training and engineering services.

The company employs no staff directly; it operates using staff recharged by the Authority. Group accounts for the combined entities have not been prepared because the net income, expenditure, assets and liabilities of the company would not have a material impact on the results reported. The Trading Company made a small profit of **£24k** for the year to 31 March 2019.

The Authority has provided a letter of support in respect of the Trading Company.

## 11 Risk Protection

Until 31 October 2015 insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Essex, are now members of the Fire and Rescue Indemnity Company Ltd. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of **£510k** to the company for the year to 31 October 2019 with **£213k** of this treated as an expense in 2018/19.

## 12 Accounting policies

Accounting policies are the principles, bases, conventions, rules and practices applied which specify how the financial effects of transactions are reflected in the financial statements.

The accounting policies adopted by the Authority comply with the Code of Practice on Local Authority Accounting United Kingdom 2018/19.

## 13 Financial Climate and impact on Services

The Authority previously accepted the Governments offer of guaranteed financial settlements to 2019/20. The finance settlement for 2019/20 issued on 6th February 2019 was therefore in line with expectations. The Authority took advantage of the flexibility given in the finance settlement to increase Council Tax up to the referendum limit of 3% local authorities.

## 14 Budget 2019-20

The Authority adopts a prudent approach to budgeting and seeks to set a budget that is both affordable and sustainable over the medium term. The budget for 2019/20 was approved by the Authority in January 2019 and reflects an increase in the total budget from **£72.2m** (2018/19) to **£73.8m** (2019/20).



The budget for 2019/20 is available at: [http://www.essex-fire.gov.uk/img/pics/pdf\\_1556275328.pdf](http://www.essex-fire.gov.uk/img/pics/pdf_1556275328.pdf)

## **15 Risks and uncertainties**

The manner in which the Authority manages its response to various risks is part of a continuum of risk management that takes into account the National Security Strategy, the National Risk Register, the Essex Resilience Forum Community Risk Register, and finally the organisational strategic and operational risk registers.

Managing risk and business continuity arrangements are a key aspect of the Authority's governance arrangements. As a category 1 responder under the Civil Contingencies Act 2004, the Authority, is required to have in place business continuity arrangements to ensure that continuity of service can be provided for foreseeable events that may impact upon the delivery of services.

These arrangements are regularly reviewed within the Service with outcomes reported to the Authority annually to offer assurance on the internal arrangements within the Service to manage risk and maintain service delivery.

## **16 Environmental matters**

As a Fire and Rescue Service we are here to protect and save life, property and the environment. In support of this aim we recognise that in the provision of our services we have an impact on the environment both locally and globally. Therefore we are committed to reducing our environmental impact on Essex and working towards sustainable development in our operations.

The Authority's carbon management plan is available to view at: <http://www.essex-fire.gov.uk/Media/Sustainability/>

## **17 Employees**

As at 31 March 2019 the Authority employs 1,454 people comprising 630 wholetime and 500 on call firefighters, 35 control staff and 289 support staff. We aim to ensure that our employment policies reflect best practice.

## **18 Key performance indicators**

Regular performance reporting is in place as part of our governance arrangements and are available at: <http://www.essex.pfcc.police.uk/performance-resources-board-essex-fire-rescue-authority/>

## **19 Reporting cycle**

Budget review papers comparing actual spend against budget for both capital and revenue expenditure are prepared on a monthly basis for both management and the Police, Fire and Crime Commissioner. These reports are reviewed at monthly meetings of both the Service Leadership Team and the Performance and Resources Board. These papers are published with the papers for each meeting and are available at: <http://www.essex.pfcc.police.uk/performance-resources-board-essex-fire-rescue-authority/>

## **20 Significant interests held by members and senior officers**

The Service Solicitor is responsible for maintaining the Register of Members' Interests in accordance with the provisions of the Localism Act 2011 and the Authority's Code of Conduct. This is available for inspection as required by the Act from: The Service Monitoring Officer, Pippa Brent-Isherwood. Tel: 01245 291613, e-mail: [pippa.brent-isherwood@essex.pnn.police.uk](mailto:pippa.brent-isherwood@essex.pnn.police.uk).

## **21 Glossary**

A glossary of accounting terms is provided on pages 75 to 81 to assist the reader.

## **22 Further information**

Further information about the Authority's accounts is available from the Acting Chief Finance Officer to the Fire Authority, Essex Fire Headquarters, Kelvedon Park, CM8 3HB (*by telephone (01376) 576000 or by E-mail [glenn.mcquinness@essex-fire.gov.uk](mailto:glenn.mcquinness@essex-fire.gov.uk)*).

Glenn McGuinness  
Acting Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue Authority  
10 December 2019

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Police, Fire and Crime Commissioner's responsibilities**

The Police, Fire and Crime Commissioner 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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I certify that these accounts were considered and approved on 10 December 2019.

### The Chief Finance Officer's responsibilities

- The Chief Finance Officer 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 (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that are reasonable and prudent.
- Complied with the local authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **The Chief Finance Officer's certificate**

I certify that the Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code and present a true and fair view of the financial position of the Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Glenn McGuinness  
Acting Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue Authority  
10 December 2019

# GOVERNANCE STATEMENT

## Introduction

The Policing and Crime Act 2017 enabled Police and Crime Commissioners to become responsible for the governance of fire and rescue authorities, subject to the approval of a business case by the Home Secretary. Following the successful submission of a business case to the Home Secretary, the Police and Crime Commissioner for Essex, Roger Hirst, became the first Police, Fire and Crime Commissioner (PFCC) on 1<sup>st</sup> October 2017. Under these governance arrangements, a new corporation sole, the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCC FRA) (“the Authority”) replaced the Essex Fire Authority.

The Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (“the Commissioner”) is responsible for ensuring that their business is conducted in accordance with the law and proper standards of conduct, probity and professional competence, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner also has a duty to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions which includes arrangements for the management of risk.

In exercising these responsibilities, the Commissioner places reliance on the Chief Fire Officer / Chief Executive to support the governance and risk management processes that have been put in place. To this end, there was regular formal and informal contact between the Commissioner and the Chief Fire Officer / Chief Executive throughout the year in order to ensure that matters arising within their respective remits were appropriately dealt with. Formal governance meetings (described in further detail below) also take place between the Commissioner and the Essex County Fire and Rescue Service (“the Service”).

This statement explains how, throughout the financial year, the Commissioner has complied with the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) and the Society of Local Authority Chief Executives (SOLACE’s) joint *Delivering Good Governance in Local Government Framework* as well as the Authority’s own Constitution.

## The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values for the control and management of all activities and how the Commissioner accounts to, engages with and leads the community. It enables the Commissioner to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commissioner’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A revised Constitution was issued in October 2017 to reflect the change of governance. This is currently under further review following the appointment of a new Monitoring Officer and an updated version will be finalised in 2019/20.

## **The Governance Framework**

The Scheme of Governance that operated during the year included the following:

- Constitution
- Scheme of Delegation
- The Elected Local Policing Bodies (Specified Information) Order 2011; the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012, and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2013
- Information Management Protocol
- Information Sharing protocol relating to information shared between the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority and the Essex Police, Fire and Crime Panel
- Revised Financial Management Code of Practice For the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004
- Voluntary Code of Conduct
- The Police, Fire and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
- Government Security Classifications
- Financial and Procurement Regulations

Copies of these documents are available on the Commissioner's website at [www.essex.pfcc.police.uk](http://www.essex.pfcc.police.uk) or can be obtained from the Commissioner's office at Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

## **The Fire and Rescue Plan**

On 1<sup>st</sup> March 2019 the Commissioner launched the Fire and Rescue Plan 2019 – 2024. This statutory document sets out the Commissioner's strategic vision, priorities and objectives for the fire and rescue service over this period. In launching the Plan, the Commissioner said:

'For me, safe and secure communities are the bedrock on which we build well-being and prosperity for all. This requires all emergency services to work well together, to be efficient and effective in the services they provide, to prevent incidents wherever possible and to be closely embedded in the communities they serve. The Fire and Rescue Service has a special mission in this, to make Essex a safe place to live, work and travel. We need a plan for a Fire and Rescue Service in Essex which ensures we can help people to stay safe, reduces the number who are killed or seriously injured and minimises the damage to property and businesses.'

I have developed this plan with input from all of those groups and individuals who work in, alongside and with Essex County Fire and Rescue Service. The priorities in the plan reflect what the people of Essex expect from their fire and rescue service.'

## **External Oversight**

## Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)

In July 2017, HMIC became HMICFRS and took on responsibility for inspecting fire and rescue services across England. Prior to this, fire and rescue services were inspected by the Fire Service Inspectorate (until 2005), then the Audit Commission (until 2008/09). The new inspection framework focuses on the services provided to the public and the way in which FRSs use the resources available to them. In carrying out its inspections, HMICFRS answers three main questions:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How well does the fire and rescue service look after its people?

Essex County Fire and Rescue Service is currently preparing for its first inspection under the new framework, which is due to take place in 2019/20.

### Peer Review

Peer challenge processes are at the heart of the wider “sector-led improvement” approach. In October 2018, the Service engaged the Local Government Association (LGA) to conduct a Peer Review. A team of colleagues from other fire and rescue services and the LGA visited ECFRS and met with more than 150 colleagues during a series of timetabled interviews, focus groups and station visits. The report (published on the Service’s website) provides honest and constructive feedback on the Service, highlighting strengths and suggesting areas where there is room for improvement. The Service has since developed a Continuous Improvement Plan based on the findings of the review as well as other assurance activities such as audit reports.

### The Police, Fire and Crime Panel

The Police Reform and Social Responsibility Act 2011 brought in the responsibility for local authorities to create a Police and Crime Panel. The Policing and Crime Act 2017 amended section 28 (Powers of Police and Crime Panels) to include the responsibilities of the new Police, Fire and Crime Commissioner Fire and Rescue Authority.

The Panel is made up of local elected councillors from each district and unitary authority in Essex and two independent members with the responsibility to scrutinise and support the work of the Police, Fire and Crime Commissioner. The functions of the Panel with regard to the fire and rescue service are:

- a) Scrutiny of the Fire and Rescue Plan.
- b) Scrutiny of the Fire and Rescue Statement.
- c) Scrutiny of the appointment of a Deputy PFCC, the PCC’s Chief Executive and

the PCC’s Treasurer.

- d) Scrutiny of the appointment of the Commissioner’s Chief Financial Officer.
- e) Scrutiny of the appointment and dismissal of the Chief Fire Officer, with the power to veto the appointment.

- f) To review the precept which the PFCC is proposing to issue for each financial year, with the power to veto the precept.
- g) To deal with certain complaints against the PFCC or Deputy PFCC.

The Panel must also review or scrutinise decisions made or other actions taken by the PFCC in connection with the discharge of their functions in relation to Policing and Fire and Rescue.

During 2018/19 the Monitoring Officer to the Panel has commenced consultation with the constituent authorities on an updated Constitution for the Panel, which is due to be finalised on 2019/20.

Panel meetings are open to the public and records of its meetings (including audio recordings) are available via Essex County Council's website.

### **The Commissioner's Governance Arrangements**

To ensure the effective administration of the Authority, a number of Boards have been created to provide advice and recommendations to the Commissioner. They have no decision-making powers.

#### **Fire and Rescue Strategic Board**

The Board has been established to enable the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority ("the Commissioner") to:

- Provide governance and oversight of delivery of the Fire and Rescue Plan and Integrated Risk Management Plan (IRMP).
- Support alignment of the activities of the Essex County Fire and Rescue service with the Essex Vision, Essex Emergency Services Collaboration Vision and other public sector transformation and collaboration programmes across greater Essex.
- Recommend to the Commissioner any collaboration agreements considered to be in the interests of the efficiency or effectiveness of one or more fire and rescue services, taking into account the existing collaboration agreements and other arrangements for co-operation to which the parties under consideration are committed; the desirability of the parties under consideration taking a consistent approach in making such agreements and other arrangements, and the opportunities available to the parties under consideration to make such agreements and other arrangements.
- Provide strategic oversight of the Medium Term Financial Plan and recommend to the Commissioner the use of the Service's reserves.
- Recommend to the Commissioner the annual budget for the Service and the annual Council Tax precept relating to the fire and rescue service to be recommended to the Essex Police, Fire and Crime Panel.
- Approve in principle and provide strategic oversight of the other key policies and strategies governing the work of the Fire and Rescue Service (including prevention, protection and response strategies, the People Strategy, the Estates Strategy and the IT / Technology Strategy).

- Provide strategic oversight of the capital programme.
- Agree in principle the annual Strategic Assessment of Risk (subject to formal approval by the Commissioner) and advise on the management of strategic risks facing the Essex County Fire and Rescue Service.
- Agree the annual Statement of Assurance to be recommended to the Essex Police, Fire and Crime Panel.
- Provide strategic oversight of operation of and benefits delivered by, and receive an annual report from, EFA (Trading) Ltd.

In response to the findings of an internal audit of the transitional governance arrangements put in place when the Commissioner took on joint governance of police and fire and rescue services, the Terms of Reference of the Strategic Board have been reviewed and updated this financial year to clarify the Board's remit and membership.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner's website.

### Audit Committee

The Audit Committee has been established to maintain an overview of the contract procedure rules, financial regulations, Code of Conduct and behaviour and to provide independent assurance to the Commissioner in accordance with the Financial Management Code of Practice. The role of the Committee is to advise the Commissioner according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices and the associated control environment, as well as to oversee the financial reporting process. Over the course of the year, the Committee has sought assurance over the adequacy of the following:

- a) The risk management and the internal control framework operated by the Chief Fire Officer.
- b) The effectiveness of the governance arrangements.
- c) The appointment, support and quality of the work of internal and external auditors as they provide assurance on risk management, internal controls and the annual accounts through their work.
- d) Financial and non-financial performance to the extent that it affects exposure to risk, weakens the control environment and undermines their ability to provide good value for money.
- e) The financial reporting process.

Although having separate Terms of Reference and meetings for fire and rescue, the independent members appointed by the Commissioner sit on both the Audit Committees for the Police, Fire and Crime Commissioner Fire and Rescue Authority and for the policing body.

The Audit Committee meets formally at least four times a year to support the Commissioner in ensuring public trust and confidence in the governance of the fire and rescue service. Between



meetings, the Commissioner's s151 Officers, Monitoring Officer and Internal Auditors, along with a representative from External Audit, have free and confidential access to the Chair of the Committee.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner's website.

### Fire and Rescue Performance and Resources Board

The purpose of the Board is to enable the Commissioner to review Essex County Fire and Rescue Service's performance, ensure that budgeted resources (both human and financial) are closely aligned with fire priorities and to ensure that resources are effectively and efficiently being utilised. The Board meets monthly to:

- a) Scrutinise, support and challenge the overall performance of the fire and rescue service including against the priorities agreed within the Fire and Rescue Plan and Integrated Risk Management Plan.
- b) Support the Commissioner in holding the Chief Fire Officer / Chief Executive to account for the exercise of functions which are delegated to them as well as the exercise of functions of persons under the direction and control of the Chief Fire Officer / Chief Executive.
- c) Advise the Commissioner on actions to be taken to maintain an efficient, effective and economic fire and rescue service for Essex.
- d) Identify and consider different themes / "deep dives" for scrutiny, challenge and support.
- e) Provide governance and oversight of the delivery of the Medium Term Financial Plan. Monitor actual revenue spend against budget, and the forecast outturn advising corrective action where appropriate in order to further advance the priorities of the service.
- f) Agree and oversee implementation of the service's Treasury Management Strategy.
- g) Monitor actual and forecast capital expenditure and resourcing of against the approved capital programme, advising the Strategic Board on progress achieved.
- h) Monitor the use of the service's reserves.
- i) Monitor the progress made in delivering planned transformation and efficiency savings.
- j) Provide governance and oversight of key workforce transformation initiatives, including recruitment and retention initiatives, on-call development and mixed crewing.
- k) Monitor workforce composition and demographics and champion initiatives to increase workforce diversity.

- l) Monitor customer and employee satisfaction survey results and the actions to be taken in response.
- m) Monitor and take steps to improve compliance with key people management processes, such as operational training and annual performance appraisals.
- n) Oversee the development and implementation of the Service Improvement Plan, taking account of recommendations arising from HMICFRS inspections, peer reviews and other external reviews and reports (both local and national).
- o) Monitor complaints and compliments made to the Essex County Fire and Rescue Service, and the learning arising from these, on a quarterly basis.
- p) Review papers to be submitted to the Essex Police, Fire and Crime Panel and the Joint Audit Committee, other than those approved by the Strategic Board.
- q) Identify areas of commissioning that would assist in delivering the Fire and Rescue Plan.

In response to the findings of an internal audit of the transitional governance arrangements put in place when the Commissioner took on joint governance of police and fire and rescue services, the Terms of Reference of the Performance and Resources Board have been reviewed and updated this financial year to clarify the Board's remit and membership.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner's website.

### **Essex Emergency Services Collaboration Strategic Governance Board**

The Local Business Case developed by the Commissioner and approved by the Home Secretary describes the collaboration vision and agenda in Essex and informs the development and delivery of various strategic and tactical projects in support of the same. The Essex Emergency Services Collaboration Strategic Governance Board has been established to consider collaborative opportunities between Essex Police, Essex County Fire and Rescue Service and other blue light partners such as the East of England Ambulance Service. It enables the Police, Fire and Crime Commissioner to:

- Provide strategic governance and oversight of the Emergency Services Collaboration Programme.
- Maximise the effectiveness and efficiency of police and fire services.
- Provide governance in relation to finance and resourcing decisions for the programme
- Provide oversight and management of strategic risks relating to the programme.

### **Service-level Governance**

In line with the restructure of the Essex County Fire and Rescue Service's Senior Leadership Team (SLT), the governance structures within the Service, which support both the SLT and the Commissioner's governance boards, has also been revised this financial year. Three new

Boards (a Continuous Improvement Board, a Change Board and a People Strategy Board), each chaired by a member of the SLT and attended by a representative of the Police, Fire and Crime Commissioner, are now in the process of being established.

### **Ethics and Integrity Framework**

The Commissioner and Deputy Commissioner have signed up to a Code of Conduct incorporating the seven Nolan Principles set out by the Nolan Committee on Standards in Public Life as well as the Police Code of Ethics. This Code of Conduct has been reviewed and updated this year as part of a review of the wider policy and strategy framework supporting the Commissioner to discharge their functions and fulfil their statutory duties.

The Service also has clear behaviour standards set out in its Code of Conduct to assist colleagues in maintaining and understanding the standards expected. This also makes reference to the Nolan Principles. Any complaint relating to alleged actions that are inconsistent with the Code of Conduct is taken seriously and subject to a thorough investigation, with action taken as appropriate.

As part of its cultural change programme, the Essex County Fire and Rescue Service also worked with its staff to develop the following Service values setting out the behaviours expected of all staff and volunteers:

*We are open honest and trustworthy* – We respect and honour all we do for the Service and our colleagues, being transparent and consistent in our communications and throughout our work

*We are courageous in everything we do* – Having the confidence to always own our part and not be a bystander in order to progress and learn from our experiences

*We work as one team* – All in it together to deliver a safer Service and a safer Essex

*We are always professional* – We proudly stay ahead of the game by embracing training and development, continually learning, while delivering professional standards to efficiently serve our community

*We value the contribution of all* – We create an inclusive and non-judgemental environment that respects people as individuals and embraces diversity. We value everyone equally, create opportunities and celebrate our successes.

The Service has policies for dealing with compliments and complaints, grievances and whistleblowing. These are currently under review and due to be updated in 2019/20. Once the refreshed documents are finalised, they will be re-launched with the aid of an appropriate communications plan.

Adherence to the ethics and integrity framework is scrutinised by the Ethics and Integrity Sub-Committee of the Essex Police, Fire and Crime Panel.

### **Making Informed and Transparent Decisions**

The Police, Fire and Crime Commissioner Fire and Rescue Authority's Constitution sets out how the Commissioner will work, how decisions are made and the procedures that will be followed to ensure that decision making is efficient and transparent and that the Commissioner is accountable to local people. Some of these procedures are required by law, whilst others are a matter of choice for the Commissioner. The Constitution also sets out how the Commissioner will

hold the Chief Fire Officer / Chief Executive to account and is available for public reference and scrutiny on the Commissioner's website. Changes to the Constitution will only be approved by the Commissioner after consideration of a proposal by the Monitoring Officer. Before issuing or varying the Constitution, the Commissioner will also provide the draft or variation to the Police, Fire and Crime Panel; consider any report or recommendations made by the Panel in regard to it, and give the Panel a response to any such report or recommendations, which will be published.

Within the Constitution, the Commissioner has adopted the following principles of decision making:

- The presumption in favour of openness and transparency
- The need for consultation with interested parties
- The need to take account of relevant professional advice from appropriate officers
- The need for clarity of aims and desired outcomes
- The need to identify the range of options considered
- The need to give reasons and explanation for a decision
- The need to have due regard to the Government Security Classifications when considering disclosure of reports and documents

During the year, the Commissioner complied with the decision making process set out in the Constitution, which requires the oversight of all the Commissioner's statutory officers, namely the Head of Paid Service, Monitoring Officer and Chief Financial Officer. All significant decisions are taken by the Commissioner following consideration of a written report on the matter which includes consideration of risk as well as the financial and legal implications. During 2018/19 the Decision Report template has been updated to set out very clearly the range of alternative options considered in arriving at the decision and also to specify any governance boards that have considered and / or approved in principle the decision prior to the Decision Report being submitted to the Commissioner for sign-off.

All decisions made by the Commissioner are formally recorded and made available on the Commissioner's website for public information and scrutiny. A summary of all decisions made by the Commissioner is also provided to each meeting of the Essex Police, Fire and Crime Panel for its scrutiny.

In addition, the Constitution specifies that the exercise of any delegated authority to take a decision on behalf of the Commissioner is subject to:

- The person making the decision having first considered a written report prepared by the appropriate officer;
- Any decision taken being in accordance with the Commissioner's budget and policy framework, financial regulations and contract standing orders and any condition imposed by the law, the Constitution and any relevant statutory guidance;
- Any person with delegated authority being able to refer any matter falling within the authority delegated to him / her to the Commissioner, and

- The fact that a function has been delegated not preventing the discharge of that function by the Commissioner.

The Commissioner ensures that all information identified in the relevant Specified Information Orders is published either on the Commissioner's website and / or the Essex County Fire and Rescue Service's website. As part of this, any disclosable interests of the Commissioner and the Deputy Commissioner are visible to the public on the Commissioner's website, as is the register of gifts and hospitality (both accepted and declined) and details of the remuneration of the Commissioner, Deputy Commissioner and chief officers. Details of all expenditure over £500 is also published on the Commissioner's and / or ECFRS's website. A thorough audit of compliance with these requirements has been completed by the Commissioner's office this financial year in order to assure the Commissioner of total adherence.

### **Public Accountability and Stakeholder Engagement**

The Commissioner is elected by and accountable to the public. The Commissioner and Deputy Commissioner work to an annual engagement plan including regular public meetings and other engagement activities with local communities and under-represented through various forums. Such engagements give the residents of Essex and other stakeholders an opportunity to challenge the Commissioner as to how they are holding the Chief Fire Officer / Chief Executive to account for the delivery of the fire and rescue service. Often, the Commissioner and / or Deputy Commissioner are accompanied to such events by a senior officer of the Essex County Fire and Rescue Service. The notes of public meetings are published on the Commissioner's website. The Commissioner also commits to meeting at least annually with elected Members of each of the upper tier, unitary and district / borough / city councils in Essex, to update them on the Commissioner's activities and respond to any queries or concerns they may have.

The Commissioner, the Deputy Commissioner and / or the Commissioner's Chief Executive attends each Fire Service Managers Briefing to update staff on the Commissioner's activities and priorities and to respond to any questions or concerns. The Commissioner also meets at least quarterly with each of the fire and rescue service's representative bodies in order to understand and respond as appropriate to any issues they may wish to raise.

During 2018/19, extensive engagement was carried out with residents and stakeholders to inform the development of the Fire and Rescue Plan. A Working Group of the Police, Fire and Crime Panel was established, supported by the Deputy Police, Fire and Crime Commissioner, the Chief Fire Officer / Chief Executive and other staff from Essex County Fire and Rescue Service and the Police, Fire and Crime Commissioner's Office. After an initial workshop with all members of the Panel, the Working Group met on four further occasions as the Plan and its associated performance metrics were developed.

The emerging priorities were also discussed with the Leaders, Chief Executives and / or senior representatives from all District, City, Borough, Unitary and County Councils in Essex. All Members of Parliament representing Essex constituencies were invited to a specific workshop. Separate partner workshops were attended by over 100 representatives from a wide range of partner organisations including Community Safety Partnership Managers, councillors, mayors, voluntary organisations, disability support organisations, multi-agency organisations such as the Safer Essex Roads Partnership and other interested groups. Representative bodies were also involved throughout the process and ECFRS staff were encouraged to provide feedback through regular promotion via ECFRS's internal communication channels and through team workshops held by managers as well as an extensive series of Your Voice workshops held across the county. Finally, a public survey to gather residents' views on the proposed priorities ran from 20 November 2018 until 15 January 2019, which attracted 2,835 responses. The results of the survey were independently analysed; reported to the Panel as part of its consideration of the Fire

and Rescue Plan, and broadly confirmed that those who took part in the survey either strongly agreed or agreed with the proposed priorities.

## **Risk Management**

Embedding strategic risk management into business planning continues to be a high priority.

ECFRS assesses its risks via the Strategic Assessment of Risk (SAOR) which, together with the Fire and Rescue Plan, informs the Service's Integrated Risk Management Plan (IRMP). National, regional, local and service-specific data is gathered from various sources to assess current and predicted gaps in the Service's core functions and respond accordingly. The Service delivers a command, control and response framework based on national best practice in line with Joint Emergency Services Interoperability Principles (JESIP), including training, exercising, identification and assessment of foreseeable risk. It ensures resilience planning and cross border arrangements with partners and surrounding fire and rescue services. The Service also supports the use of nationally developed tools, such as Resilience Direct, to share site specific risk information with surrounding fire and rescue services and Essex Resilience Forum (ERF) members.

More immediate challenges to the delivery of the Service's core functions are monitored via the Strategic Risk Register. Several additional strategic risks and associated control measures have been implemented over the last 12 months. This helps to ensure that remedial and preventative actions are allocated, evaluated and reported on to the Service Leadership Team as well as the Commissioner and Audit Committee. A separate risk register exists and is similarly reported on in respect of the collaboration programme, in order to ensure that relevant stakeholders, including the Commissioner, are adequately sighted on shared risks as well as those facing each partner when working collaboratively. The collaboration risk register is currently undergoing a wholesale review through a working group of the Collaboration Programme Board.

Operational risk information is managed using the national Provision of Operational Risk Information System (PORIS). Over the past year, significant work has been undertaken to ensure that the data within this is up-to-date and available to crews, most notably through the successful implementation of new Mobile data Terminals (MDTs) and tablets on all appliances. This helps crews to complete Dynamic and Analytical Risk Assessments (DRAs / ARAs) when responding to operational incidents.

As part of the development of the 2020 – 2024 IRMP, the Service intends to develop a combined Prevention, Protection and Response Strategy that will support a holistic approach to risk mitigation.

## **Developing Capacity and Capability**

Jo Turton, formerly Chief Executive of Lancashire County Council was appointed as Chief Fire Officer / Chief Executive and joined the Authority in April 2018. Following this appointment a review of the senior management structure took place and following an extensive and robust selection process, appointments have been made to the new positions of Deputy Chief Fire Officer, Director of Innovation and Change and Director of Corporate Services. A development post of Assistant Chief Executive (People, Values and Culture) has also been created and filled internally. These changes take effect from 1<sup>st</sup> April 2019 and will deliver additional expertise, capacity, resilience and flexibility at a senior level in the organisation.

Senior leaders have access to the Executive Leadership Programme and the next phase of the local leadership development programme is now being commissioned, which will enable Service leaders to understand how psychology and beliefs affect behaviour alongside the managerial impacts of unconscious thought processes and attitudes. A Talent Pool has also been launched

to identify and develop individuals to meet the needs of the Service now and in the future. So far, 57 people have passed through the Pool, of whom 52 have been promoted into substantive positions. The Talent Pool process was reviewed in 2018, which led to changes, including forging clearer links between this and workforce planning. A Strategic Talent Pool has now also been implemented, offering candidates opportunities and assignments to develop their senior leadership skills. This Pool will be opened more widely in Autumn 2019. In order to develop middle managers, the Service now holds regular watch Manager / supervisory level development evenings and invests in externally accredited development through the Institute of Leadership and Management (ILM). Appraisal completion rates continue to climb, as does employee satisfaction with appraisal conversations, however this remains an area of focus going into 2019/20.

Wholetime firefighters are now being recruited into the Service for the first time since 2009 and positive action during the initial campaign resulted in 10.2% of wholetime firefighter offers in 2018 being made to women.

During the year, the Authority's commitment to supporting vulnerable individuals and communities has seen it increase its participation in local strategic and community safety partnerships and hubs in order to enhance information and resource sharing and improve wider collaboration. Restructuring of the Community Safety function is also underway, which will transfer responsibilities and resources from centralised functions to stations, thus supporting local delivery of prevention activity. Such work will continue – and indeed is likely to develop significantly - into 2019/20. Longer term collaborative opportunities exist around shared control room monitoring systems, joint fleet workshops and ICT convergence.

## **Review of Effectiveness**

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of their governance framework including the system of internal control. The review of effectiveness is informed by the work of the strategic managers who have responsibility for the development and maintenance of the governance environment; the internal audit annual report, and by comments made by the external auditors and other review agencies and inspectorates.

In addition, the Internal Auditor has responsibility to review and report to the independent Audit Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's arrangements for governance, risk management and control. An overall adequate and effective opinion was given for 2018/19. The provision of Internal Audit Services is through a contract with RSM UK Group LLP.

One area of concern has been that the Authority could only take partial audit assurance from previous audits on risk management controls. The independent internal audit in 2018/19 concluded that the Service was making progress with improvement in the risk management process in comparison to previous audits. As a result a positive reasonable assurance opinion was issued to reflect the significant progress made in relation to driving the risk management process forward.

At its meeting on 18 September 2018, the Strategic Board also considered the review of transitional governance arrangements undertaken by the authority's internal auditor following the implementation of joint governance of police and fire and rescue services in Essex in October 2017. While acknowledging that arrangements were, at that time, at an early stage, the auditors found that:

- “...while changes had been made to align governance arrangements and there had been progress towards this, there could be improved clarity of responsibility and accountability between the various boards and committees....”
- Some strategic issues had erroneously been referred to the Performance and Resources Board, partly due to a lack of clarity regarding the Terms of Reference of the Strategic Board compared with the Performance and Resources Board, and partly due to the fact that the Performance and Resources Board meets more frequently (monthly) than the Strategic Board (quarterly), resulting in issues inappropriately being referred to the P&R Board where it was considered that time was of the essence. It was felt that this was also partly due to the fact that, at the time, the membership of the two boards was exactly the same, and as such the significance of referring the matter to the correct board was not always fully appreciated by all staff.
- Likewise, “Both SLT and the Change Board have similar responsibilities with regard to overseeing projects and change” and that, once again, the entire membership is currently duplicated across these two boards.
- There were some low-level concerns regarding the completeness and accuracy of minutes and actions logs arising from the meetings of the two governance boards.

The management actions agreed in response to the audit were that:

- 1) The governance structure, membership and terms of reference for all governance boards would be reviewed and updated as necessary;
- 2) The PFCCFRA Constitution (including the Scheme of Delegation) would be reviewed and updated accordingly, and
- 3) A Board Support Officer will be recruited to support all the governance boards and ensure the completeness and accuracy of minutes and action logs.

Actions 1 and 3 have been implemented as described above. At the time of writing, work is underway with regard to updating the Constitution and will be completed in 2019/20.

External Audit is another essential element in ensuring public accountability and stewardship of public resources and the effectiveness of the Commissioner’s governance arrangements, with the External Auditor’s annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports. Following a competitive procurement process, the Commissioner has appointed Grant Thornton as the External Auditor for a five year period commencing from the 2018/19 financial year.

### **Other Significant Governance Issues**

Looking ahead to 2019/20, significant governance issues include:

- Building on work undertaken following the Lucas Review, culture change remains a priority. The Service’s current approach to promoting its values and a positive culture is set out in its People Strategy 2017 – 2020. A full review of the People Strategy is due to be undertaken now that the new Service Leadership Team (SLT) is in place. The programme of work to be delivered by the Service, overseen and scrutinised by the Commissioner, includes acceleration of the Professional and Inclusive Workplace initiative and commissioning of a comprehensive leadership development programme, as well as delivering on an ongoing commitment to engagement and communication with all



staff. Improving the diversity of the workforce is a priority referenced in the Fire and Rescue Plan, with a particular focus on attracting female and BAME candidates.

- On-call availability issues, which are being addressed through a development programme to improve recruitment and retention of on-call fire fighters and liaison officers. Initiatives include a pilot project focused on day Duty Officers riding (due to run until August 2019); the ongoing conversion of day-crewed stations to on-call, and a review of contracts and availability options to address current inflexibilities.
- Delivering improvements in operational training, including through the recruitment of four new Area Training Officers, refurbished training sites, a heightened focus on quality assurance, improved training materials and updates to the TASK system to ensure that training is recorded efficiently and effectively. The Commissioner is investing an additional £600,000 in this area in 2019/20.
- Upgrading and future proofing the IT infrastructure through investment in bespoke systems as required as well as exploring the potential development of shared strategic resources with Essex Police in order to deliver more robust, comprehensive and efficient IT architecture. A Digital Strategy is also in development to facilitate future innovation, planning and efficiency.
- Ensuring the Service's long term sustainability and affordability in the context of significant financial uncertainty ahead of the next Comprehensive Spending Review. Work is continuing to empower managers to identify efficiencies to fund service improvements and to develop a savings programme that engages and involves staff in balancing the Service's budget by 2021/22 and addresses the forecast budget gap in 2023/24. Financial planning and scenario modelling are informing the development of a Medium Term Financial Plan for 2020-2024 to accompany the next IRMP.

## Internal Control

The effectiveness of the internal audit arrangements and the system of internal control were included in the annual governance review. Elements of this review were also informed by the work of the Internal Auditors which, along with financial and performance issues arising, has been reported regularly to the Police, Fire and Crime Commissioner through the Boards described above. As part of these reports, action plans were identified and reported on. Internal Audit reports covering key areas consistently report reasonable or substantial assurance around all areas of controls for expenditure and the use of resources. There were no materially significant internal control issues identified during the year.

In February 2018, the Internal Auditors reviewed budgetary control and financial planning and provided substantial assurance, as they have on key financial controls for the last seven years.

Signed: Roger Hirst

Police Fire and Crime Commissioner

Signed: Rick Hylton

Deputy Chief Fire Officer

# **INDEPENDENT AUDITOR'S REPORT TO THE POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the firefighters' pension fund account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- 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;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The Chief Finance Officer's is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Grant Thornton UK LLP. 2

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the 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 this regard.

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

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

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

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

### **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Grant Thornton UK LLP. 3

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Police, Fire and Crime Commissioner for Essex is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## **Responsibilities of the Authority**

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton UK LLP. 4

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of Essex Police, Fire and Crime Commissioner Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **Use of our report**

This report is made solely to the Police, Fire and Crime Commissioner 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 Authority's Police, Fire and Crime Commissioner those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Police Fire and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady, Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

10 December 2019

## ACCOUNTING STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 March 2019

2017/18 Net £000		2018/19 Net £000
	<b>Expenditure</b>	
29,878	Firefighters	52,828
5,351	On call firefighters	5,802
1,366	Control staff	1,466
15,185	Support staff	15,584
<b>51,780</b>	<b>Total Employment Costs</b>	<b>75,680</b>
2,200	Support costs	2,010
9,866	Premises & Equipment	10,249
3,681	Other costs & services	3,248
5,252	Depreciation, impairment & other costs	(1,575)
130	Financing items	80
<b>21,129</b>	<b>Total Other Costs</b>	<b>14,012</b>
<b>72,909</b>	<b>Gross Expenditure</b>	<b>89,692</b>
	<b>Income</b>	
(4,761)	Operational Income	(4,158)
<b>68,148</b>	<b>Provision of Fire Services</b>	<b>85,534</b>
(288)	(Gain) or loss on Disposal of Fixed Assets	(114)
17	Pension administration costs	21
	<b>Financing and Investment Income and Expenditure</b>	
1,302	Interest payable on debt	1,301
23,081	Net interest on the net defined benefit liability (asset)	18,719
(39)	Investment interest income	(83)
	<b>Taxation and Non-Specific Grant Income</b>	
(11,033)	Revenue Support Grant	(9,347)
(15,975)	Non Domestic Rates	(16,634)
(44,968)	Council Tax	(44,844)
<b>20,245</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>34,553</b>
(4,934)	(Surplus) or deficit on revaluation of non current assets	(13,479)
(140,709)	Remeasurements of the net defined benefit liability (asset)	12,467
<b>(145,643)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(1,012)</b>
<b>(125,398)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>33,541</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	<b>6,823</b>	<b>5,761</b>	<b>-</b>	<b>7,790</b>	<b>20,374</b>	<b>(663,748)</b>	<b>(643,374)</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on the provision of services	(34,553)	-	-	-	(34,553)	-	(34,553)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,012	1,012
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(34,553)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,553)</b>	<b>1,012</b>	<b>(33,541)</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7)	35,557	-	-	545	36,102	(36,102)	-
Transfers to or (from) earmarked reserves	108	(108)	-	-	-	-	-
<b>Increase (Decrease) in Year</b>	<b>1,112</b>	<b>(108)</b>	<b>-</b>	<b>545</b>	<b>1,549</b>	<b>(35,090)</b>	<b>(33,541)</b>
<b>Balance at 31 March 2019</b>	<b>7,935</b>	<b>5,653</b>	<b>-</b>	<b>8,335</b>	<b>21,923</b>	<b>(698,838)</b>	<b>(676,915)</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	<b>6,754</b>	<b>5,459</b>	<b>-</b>	<b>7,025</b>	<b>19,238</b>	<b>(788,010)</b>	<b>(768,772)</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on the provision of services	(20,245)	-	-	-	(20,245)	-	(20,245)
Other Comprehensive Income and Expenditure	-	-	-	-	-	145,643	145,643
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(20,245)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,245)</b>	<b>145,643</b>	<b>125,398</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7)	20,616	-	-	765	21,381	(21,381)	-
Transfers to or (from) earmarked reserves	(302)	302	-	-	-	-	-
<b>Increase (Decrease) in Year</b>	<b>69</b>	<b>302</b>	<b>-</b>	<b>765</b>	<b>1,136</b>	<b>124,262</b>	<b>125,398</b>
<b>Balance at 31 March 2018</b>	<b>6,823</b>	<b>5,761</b>	<b>-</b>	<b>7,790</b>	<b>20,374</b>	<b>(663,748)</b>	<b>(643,374)</b>

## BALANCE SHEET

AS AT 31 March 2019

31 March 2018 £000		Notes	31 March 2019 £000
<b>Restated</b>	<b>Property, Plant &amp; Equipment</b>	9	
104,402	Land and Buildings		123,131
13,572	Vehicles, plant and equipment		12,872
917	Fixed assets under construction		711
94	<b>Long Term Investments</b>	30	94
<b>118,985</b>	<b>Long Term Assets</b>		<b>136,808</b>
432	Inventories		432
10,452	Short Term Debtors	12	9,672
10,096	Cash and Cash Equivalents	13	11,682
<b>20,980</b>	<b>Current Assets</b>		<b>21,786</b>
(1,258)	Short Term Borrowing		(2,499)
(6,000)	Short Term Creditors	14	(6,194)
(2,408)	Grants Receipts in advance	15	(2,029)
<b>(9,666)</b>	<b>Current Liabilities</b>		<b>(10,722)</b>
(27,000)	Long Term Borrowing	11	(24,500)
(1,046)	Provisions	16	(850)
(745,627)	Other Long Term Liabilities	29	(799,437)
<b>(773,673)</b>	<b>Long Term Liabilities</b>		<b>(824,787)</b>
<b>(643,374)</b>	<b>Net Liabilities</b>		<b>(676,915)</b>
	<b>Usable Reserves</b>		
6,823	General Fund		7,935
5,761	Earmarked General Fund Reserves		5,653
7,790	Capital Receipts Reserve		8,335
<b>20,374</b>	<b>Usable reserves</b>	17	<b>21,923</b>
	<b>Unusable Reserves</b>		
20,188	Revaluation Reserve		33,381
60,788	Capital Adjustment Account		66,858
(508)	Holiday Pay Account		(838)
1,411	Collection Fund Adjustment Account		1,198
(745,627)	Pension Reserve		(799,437)
<b>(663,748)</b>	<b>Unusable Reserves</b>	18	<b>(698,838)</b>
<b>(643,374)</b>	<b>Total Reserves</b>		<b>(676,915)</b>

These financial statements replace the unaudited financial statements certified by Glenn McGuinness on 31 May 2019.

Glenn McGuinness  
Acting Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue  
Authority  
Authorised for issue date: 10 December 2019



## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 March 2019

2017/18 £000	Note	2018/19 £000
20,245		34,553
(16,008)	19	(39,956)
(765)		(545)
(74)		-
<b>3,398</b>		<b>(5,948)</b>
3,716		3,362
-		1,000
<b>7,114</b>		<b>(1,586)</b>
<b>(17,210)</b>		<b>(10,096)</b>
<b>(10,096)</b>		<b>(11,682)</b>

## NOTES TO THE ACCOUNTS

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 30 to 33 and provide further information upon the financial performance of the Authority during 2018/19.

### 1 Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with proper accounting practices. Income and expenditure accounted for under proper accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18			2018/19		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
62,855	5,293	68,148	86,446	(912)	85,534
(63,226)	15,323	(47,903)	(87,450)	36,469	(50,981)
<b>(371)</b>	<b>20,616</b>	<b>20,245</b>	<b>(1,004)</b>	<b>35,557</b>	<b>34,553</b>
					<b>(Surplus)/Deficit on Provision of Services</b>
(12,213)			(12,584)		Opening General Fund Reserves
(371)			(1,004)		Less/Plus Surplus or (Deficit) on General Fund in Year
<b>(12,584)</b>			<b>(13,588)</b>		<b>Closing General Fund Reserves</b>

#### 1.1 Note to the Expenditure and Funding Analysis

The tables below provides analysis of the Adjustments between Funding and Accounting Basis for 2018/19 and 2017/18 respectively.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for Pensions adjustments	Other differences	Total Adjustments
2018/19	£000	£000	£000	£000
Provision of Fire Services	(1,243)	-	330	(913)
Other Income and Expenditure from the Funding Analysis	(5,086)	41,343	213	36,470
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>(6,329)</b>	<b>41,343</b>	<b>543</b>	<b>35,557</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for Pensions adjustments	Other differences	Total Adjustments
2017/18	£000	£000	£000	£000
Provision of Fire Services	5,272	-	21	5,293
Other Income and Expenditure from the Funding Analysis	(5,438)	22,377	(1,616)	15,323
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>(166)</b>	<b>22,377</b>	<b>(1,595)</b>	<b>20,616</b>

## 2 Accounting policies

### 2.1 General

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 proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards.

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.

### 2.2 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.

### 2.3 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 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.

## **2.4 Charges to revenue for non-current assets**

Services, support services and trading accounts are debited 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 amortisations. The Authority will, however, use capital receipts and/or make a contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution to capital financing in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **2.5 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.

## **2.6 Accruals of income and expenditure**

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- 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.

## **2.7 Provisions and contingent liabilities**

### **2.7.1 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 (eg 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.

### **2.7.2 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.

## **2.8 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, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## **2.9 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.

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.

## **2.10 Property Plant and Equipment**

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

### **2.10.1 Recognition**

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.

The Authority operates a de-minimis limit below which items are charged to revenue rather than capital on the grounds of materiality. The limit for individual assets is **£10,000** with the exception of motor vehicles where the limit is **£7,500**. There is no de-minimis limit for land purchases.

### **2.10.2 Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 current 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.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as set out below:

- 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.

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.

### **2.10.3 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 as follows:

- 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); or

- 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 line(s) 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.

### **2.10.4 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) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation over 25 years.

A full year's depreciation is charged in the year of acquisition of an asset and no depreciation is charged in the year of disposal. Where an item of 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.

### **2.10.5 Statutory charge for capital financing**

In the year of acquisition of an asset a full year's statutory charge for capital financing is made. In the year of disposal of an asset there is no statutory charge for capital financing. This is in line with our depreciation policy.

### **2.10.6 Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations



that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 £10,000 are categorised as capital receipts. Amounts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

## **2.11 Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease)

## **2.12 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out costing formula. Stock values are reduced by provisions for redundant and slow moving stocks.

## **2.13 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 Account 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.

## **2.14 Employee Benefits**

### **2.14.1 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 (e.g. cars) 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 earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 for taxation purposes holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **2.14.2 Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General 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.

### **2.14.3 Post-employment benefits**

The Authority participates in three different pension schemes:

### **2.14.4 Local Government Pension Scheme**

Employees, other than firefighters, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), which is administered by Essex County Council.

The LGPS is accounted for as a defined benefits scheme

- The liabilities of the LGPS 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 a discount rate based on the indicative rate of return on high quality corporate bond.

The assets of the LGPS 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 pensions asset/liability is analysed into the following constituents:

**Service cost** - Current service cost – the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.

**Net interest on the defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

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 General 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.

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.

## **2.14.5 Firefighters' pension schemes**

There are three unfunded defined benefits schemes, originally established by the Fire Brigade Pensions Act 1925, to provide pensions for all whole-time members of the Fire and Rescue Service. The main scheme details date from 1992 with a revised scheme in 2006 and a new scheme introduced from 1 April 2015.

Pensions and benefits due are paid by the Authority. The cost of pensions and benefits paid in the year, less the contributions received from firefighters and the employer's contribution from the Authority are included within the Pension Fund Account. Changes in the asset liabilities are accounted for in the same way as the LGPS.

## **2.14.6 Retained firefighters' pension scheme**

A stakeholder pension scheme for retained firefighters was established in January 1999. This is a defined contribution scheme arranged between the retained firefighters and the pension company (Scottish Widows Fund and Life Assurance Society) and is administered by Woodgate and Associates.

The Fire Authority's involvement is limited to informing all eligible personnel of the availability of the scheme and paying the agreed employer's subsidy. The Authority has no responsibility for the level of payment of pensions.

During 2015/16 a new modified pension scheme was introduced for retained firefighters.

## **2.15 Financial Instruments**

### **2.15.1 Financial Assets**

Financial assets are classified into three types, these types are based on the intention of use when the asset was purchased:

- Amortised Cost – Held to collect contractual cash flows of principle and interest on specific dates
- Fair Value Through Other Comprehensive Income – held to both collect contractual cash flows and sell the financial asset on specified dates.
- Fair Value through Profit or Loss – Achieve objectives by any other means than collecting contractual cash flows.

Financial assets are recognised in the Statement of Accounts when the Authority becomes party to the financial instrument contract, or, in the case of debtors, when the goods or services have been provided or delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred.

Loans and receivables are measured at amortised cost.

The Authority reviews its financial assets annually. Expected losses are calculated annually for assets that have a significant credit risk. The subsequent impairment/loss allowance (if material) is then treated according to the Asset class:

- Assets valued at Amortised cost are reduced by the value of the expected losses (impairment) and reflected in their carrying amount.

- Assets carried at Fair Value through Other Comprehensive Income have their loss allowance recognised in the Financial Instruments Revaluation Reserve.
- Assets carried at Fair Value through Profit or Loss have their loss allowance recognised in the Surplus or Deficit on Provision of Services.

## **2.15.2 Financial Liabilities**

Financial liabilities are recognised in the Statement of Accounts when the Authority becomes party to the contractual provisions of the financial instrument, or, in the case of creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is the liability has been paid or otherwise discharged.

Financial liabilities are initially recognised at fair value and are carried at their amortised cost. For creditors this will be the invoice amount.

The Authority has liabilities in relation to loans borrowed from the Public Works Loans Board, described as financial liabilities at amortised cost and creditors for goods and services received which are categorised as other financial liabilities.

Interest payable is charged to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement in the year to which it relates.

Valuation techniques used to measure fair value are categorised into Levels 1, 2 and 3 where Level 1 has an active market with quoted prices for similar instruments, Level 2 has some directly observable market information other than Level 1 inputs, and Level 3 has no market information and valuation requires significant judgement by management.

## **2.16 Value added tax (VAT)**

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

## **3 Accounting standards that have been issued but not adopted**

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The relevant standards are:

- Annual Improvements to IFRS Standards 2014 – 2016 cycle
- IFRIC 22 foreign currency transactions and advance consideration
- IFRIC 23 Uncertainty over income tax treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation

## **4 Critical judgements in applying accounting policies**

With regard to the going concern concept the Authority remains in a strong financial position and plans to invest in its infrastructure will continue. This will be by using earmarked reserves and capital receipts. Longer term financial planning to ensure financial stability will be a pre-requisite, in this context there is uncertainty about future levels of government funding. Management are currently developing a medium term financial plan for the period 2020 to 2024 to ensure financial sustainability, this will be published in early 2020.

The Authority has determined that that uncertainty about future levels of government funding is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision in future years.

The trading activities of the Authority were undertaken by a wholly owned subsidiary EFA (Trading) Limited. The business of the company is to sell training and engineering services. Group Accounts are not produced because the impact of the trading company would be immaterial. In particular, the turnover of the trading company in 2018-19 is less than 1% of the net expenditure out-turn of the Authority.

The Authority is one of nine members of the Fire and Rescue Indemnity Company Ltd. The company is limited by guarantee and commenced trading in November 2015. The Fire and Rescue Indemnity Company is managed by a board of directors. No member authority has the right to appoint a director. The member authorities elect directors. No member authority has the power to control decisions of the Fire and Rescue Indemnity Company. As the Fire and Rescue Indemnity Company is not under the control of the Authority and we have no rights to returns group accounts are not produced.

Property, plant and equipment assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Authority's valuer to determine whether the carrying amount of these assets is consistent with their current value. A full revaluation was carried out as at 31 March 2019.

This year there has been an ongoing national issue which has resulted in a change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". The Authority requested their Actuary to update their estimates of net pension scheme liability for both Local Government Pension Scheme and Firefighters' Pension Scheme to take into account the McCloud ruling. The impact of this in the accounts was to increase past service costs by £29,484k.

## **5 Events after the Balance Sheet date**

The statement of accounts was authorised for issue by the Acting Chief Finance Officer on 10 December 2019.

## **6 Assumptions made about the future and other major 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 Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property, Plant and Equipment</b>	Asset are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	The carrying value of depreciating assets at 31 March 2019 is £74m. If the useful economic life (UEL) of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment assets would increase by £431k for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions/judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and expected return on assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The carrying value of the pension liability as at 31 March 2019 is £856,493k.  The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 29.5.
<b>Provisions</b>	The Authority has made provision for potential claims for past events that may result in a transfer of economic benefits. The provisions provide for cover against possible employee, NDR and outstanding motor insurance payments.	The current carrying value of provisions as at 31 March 2019 is £850k. If provisions were overstated by 10% the provision would reduce by £85k.

## 7 Adjustments between accounting basis and 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.

2018/19	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	
<b>Adjustments to the Revenue Resources</b>					
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>					
Pension costs (transferred to (or from) the Pensions Reserve)	41,343	-	-	-	(41,343)
Council tax & NDR (transfers to/(from) Collection Fund)	213	-	-	-	(213)
Holiday pay (transferred to the Accumulated Absences Reserve)	330	-	-	-	(330)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,242)	-	-	-	1,242
<b>Total Adjustment to Revenue Resources</b>	<b>40,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,644)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(114)	545	-	-	(431)
Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,973)	-	-	-	4,973
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,087)</b>	<b>545</b>	<b>-</b>	<b>-</b>	<b>4,542</b>
<b>Total Adjustments</b>	<b>35,557</b>	<b>545</b>	<b>-</b>	<b>-</b>	<b>(36,102)</b>



## Adjustments between accounting basis and funding basis under regulations

<b>2017/18</b> Comparative figures	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	
<b>Adjustments to the Revenue Resources</b> Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: Pension costs (transferred to (or from) the Pensions Reserve) Council tax & NDR (transfers to/(from) Collection Fund) Holiday pay (transferred to the Accumulated Absences Reserve) Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	22,377	-	-	-	(22,377)
	(1,616)	-	-	-	1,616
	21	-	-	-	(21)
	5,272	-	-	-	(5,272)
<b>Total Adjustment to Revenue Resources</b>	<b>26,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,054)</b>
<b>Adjustments between Revenue and Capital Resources</b> Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(288)	765	-	-	(477)
	(5,150)	-	-	-	5,150
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,438)</b>	<b>765</b>	<b>-</b>	<b>-</b>	<b>4,673</b>
<b>Total Adjustments</b>	<b>20,616</b>	<b>765</b>	<b>-</b>	<b>-</b>	<b>(21,381)</b>

## 8 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans.

<b>2018/19</b>	<b>Balance at 1 April</b>	<b>Additions made in year</b>	<b>Transfer to General Fund</b>	<b>Balance at 31 March</b>
<b>Earmarked General Fund Reserves:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Emergency Planning Reserve	469	-	(469)	-
On call Demand Pressures	600	-	-	600
On call - support	-	400	-	400
Operational Training Reserve	-	1,000	-	1,000
Spend to Save Reserve	932	-	(124)	808
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	200	-	-	200
Innovation and Transformation	2,400	-	(440)	1,960
Rolling Budgets Reserve	410	85	(410)	85
Business Continuity Reserve	300	-	(150)	150
Risk Protection	250	-	-	250
<b>Total</b>	<b>5,761</b>	<b>1,485</b>	<b>(1,593)</b>	<b>5,653</b>

<b>2017/18</b>	<b>Balance at 1 April</b>	<b>Additions made in year</b>	<b>Transfer to General Fund</b>	<b>Balance at 31 March</b>
<b>Earmarked General Fund Reserves:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Emergency Planning Reserve	437	32	-	469
On call Demand Pressures	600	-	-	600
Spend to Save Reserve	932	200	(200)	932
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	200	-	-	200
Innovation and Transformation	2,400	-	-	2,400
Rolling Budgets Reserve	140	270	-	410
Business Continuity Reserve	300	-	-	300
Risk Protection	250	-	-	250
<b>Total</b>	<b>5,459</b>	<b>502</b>	<b>(200)</b>	<b>5,761</b>

## 9 Property, plant and equipment

The movement in fixed assets during the year is shown in the table below, followed by a table with the comparative figures for the previous year.

	Land and buildings	Vehicles, plant & equipment	Assets under construction	Total PP&E
<b>2018/19</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 April	104,412	38,137	917	143,466
Transfer from FAUC	-	2,275	(2,275)	-
Additions	1,419	45	2,069	3,533
Impairments	(1,419)	-	-	(1,419)
Reclassifications and transfers	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	12,367	-	-	12,367
Revaluation increases/(decreases) to surplus or deficit on the provision of services	6,501	-	-	6,501
Disposals	(139)	(2,201)	-	(2,340)
<b>At 31 March</b>	<b>123,141</b>	<b>38,256</b>	<b>711</b>	<b>162,108</b>
<b>Depreciation and impairment</b>				
At 1 April	10	24,565	-	24,575
Depreciation charge	1,762	2,728	-	4,490
Other movements in depreciation to the Revaluation Reserve	(823)	-	-	(823)
Other movements in depreciation to the surplus of deficit on the provision of services	(939)	-	-	(939)
Disposals	-	(1,909)	-	(1,909)
<b>At 31 March</b>	<b>10</b>	<b>25,384</b>	<b>-</b>	<b>25,394</b>
<b>Net Book value</b>				
<b>At 31 March 2019</b>	<b>123,131</b>	<b>12,872</b>	<b>711</b>	<b>136,714</b>
<b>At 31 March 2018</b>	<b>104,402</b>	<b>13,572</b>	<b>917</b>	<b>118,891</b>

	Land and buildings	Vehicles, plant & equipment	Assets under construction	Total PP&E
<b>2017/18</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 April	101,256	36,398	1,053	138,707
Transfer from FAUC	-	1,038	(1,038)	-
Additions	1,001	1,989	902	3,892
Impairments	(1,001)	-	-	(1,001)
Reclassifications and transfers	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	2,566	-	-	2,566
Revaluation increases/(decreases) to surplus or deficit on the provision of services	1,036	-	-	1,036
Disposals	(446)	(1,288)	-	(1,734)
<b>At 31 March</b>	<b>104,412</b>	<b>38,137</b>	<b>917</b>	<b>143,466</b>
<b>Depreciation and impairment</b>				
At 1 April	51	22,842	-	22,893
Depreciation charge	1,686	2,980	-	4,666
Other movements in depreciation to the Revaluation Reserve	(2,368)	-	-	(2,368)
Other movements in depreciation to the surplus of deficit on the provision of services	641	-	-	641
Disposals	-	(1,257)	-	(1,257)
<b>At 31 March</b>	<b>10</b>	<b>24,565</b>	<b>-</b>	<b>24,575</b>
<b>Net Book value</b>				
<b>At 31 March 2018</b>	<b>104,402</b>	<b>13,572</b>	<b>917</b>	<b>118,891</b>
<b>At 31 March 2017</b>	<b>101,205</b>	<b>13,556</b>	<b>1,053</b>	<b>115,814</b>

The following asset useful lives have been used in the calculation of depreciation:

<b>Class of asset</b>	<b>Asset life for depreciation purposes</b>
Buildings	8 to 75 years
Fire appliances	3 to 15 years
Cars and vans	3 to 6 years
Other operational vehicles	5 to 15 years
Operational equipment	5 to 20 years
IT equipment - Control	5 years
IT equipment	3 years

An analysis of the capital expenditure and the way it was financed is set out on page 7 note 7.

The Authority's fixed assets principally include:

	<b>2017/18</b>	<b>2018/19</b>
Fire & Rescue Headquarters	1	1
Fire & Rescue training centre	1	1
Fire & Rescue vehicle workshop	1	1
Fire stations	50	50
Fire service houses & other properties	26	25

The freehold and leasehold properties within the Authority's property portfolio are valued, under a five year programme, by the Authority's property advisors (Lambert Smith Hampton) with impairment reviews made annually. A full valuation was undertaken as at 31 March 2015. All valuations were undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fire stations are valued at depreciated replacement cost and other properties are valued at existing use value.

A service house was sold in April 2018. At 31 March 2019 a revaluation review of all properties was carried out and an increase has been reflected as appropriate.

## **10 Heritage Assets**

In June 2007 the Essex Fire Museum was opened with the objective of preserving the heritage of Essex County Fire and Rescue Service. The museum occupies part of the premises at Grays Fire Station. As the accommodation is limited all appointments are by prior booking. The museum contains a collection of fire brigade related items and includes old photograph negatives, photographs, videos, assorted equipment and memorabilia and two old fire engines. The museum is staffed by volunteers. As the collection is made up of a large number of relatively small value items, and the overall value would not be material to the Authority's accounts, the cost of obtaining a valuation would outweigh the benefits to the users of these financial statements. For these reasons heritage assets are not reported in the balance sheet.

## 11 Financial Instruments

### 11.1 Financial Instrument Balances

The financial instrument balances are all carried at amortised cost and are summarised below:

	Non current		Current	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
<b>Investments</b>				
Investments	94	94	-	-
Cash & cash equivalents	-	-	10,096	11,682
<b>Debtors</b>				
Short-term debtors	-	-	1,207	1,042
<b>Creditors</b>				
Short term creditors	-	-	(462)	(1,495)
<b>Borrowings</b>				
Long term borrowing	(27,000)	(24,500)	-	-
Short term borrowing	-	-	(1,258)	(2,499)

Current debtors and creditors are valued at invoice value or equivalent. The fair value of these balances is estimated to be equivalent to their carrying value. The accounts include interest payable of **£1,301k** and interest income of **£83k**. The fair value of loans borrowed from the Public Works Loans Board (PWLB) is **£36.7m** compared to their book value of **£27.0m** (£37.4m, £27.0m in 2017/18). The fair value of loans is higher than the carrying amount because the Authority's portfolio of loans comprises fixed rate loans where the interest rate is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

### 11.2 Long term liabilities

Long term borrowing, undertaken for periods in excess of 364 days, is only undertaken for the purposes of financing capital expenditure. The Authority has secured its borrowing to date from the Public Works Loan Board. The loans carry the same interest rate for the whole term. The associated arrangement cost of the loans is not material and the Interest chargeable to the Income and Expenditure account remains the amounts payable under the loan agreements.

Long term borrowing, as at 31 March, is analysed in the following table, according to repayment periods. The maturity of borrowing has been determined by reference to the earliest date on which the lender can require repayment. At 31 March 2019 the fair value of PWLB debt is **£36.7m** compared to £37.4m as at 31 March 2018.

2017/18 PWLB loans £000		2018/19 £000
	<b>Repayment period</b>	
2,500	Between 1 - 2 years	-
1,000	Between 2 - 5 years	1,000
2,000	Between 5 - 10 years	7,000
21,500	Over 10 years	16,500
<b>27,000</b>	<b>Balance at 31 March</b>	<b>24,500</b>

The longest dated loan is one of **£4.5m** that runs until December 2034. The weighted average interest rate was 4.68% at 31 March (2017/18 4.65%).

### 11.3 Fair Value – Methodology and Assumptions

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the prevailing rate of similar instrument with a published market rate.

The PWLB new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling a loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored. The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this includes accrued interest as at the balance sheet date, accrued interest is also included in the fair value calculation. The rates used were obtained from the Debt Management Office (PWLB) as at 31 March.

Interest is calculated using the most common market convention, ACT/365. Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments. For fixed term deposits it is assumed that interest is received on maturity. No adjustment has been made for the interest value and date where a relevant date occurs on a non working day. The fair value of PWLB borrowing is reported in note 11.2.

### 11.4 Nature of Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- 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;
- Refinancing & Maturity risk – the possibility that the Authority may not be able to replace expiring loans on equivalent terms; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Authority's treasury management function, under policies approved by the Authority in the annual treasury management strategy. The strategy details the Authority's approach and principles for overall risk

management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

### **11.5 Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority ensures that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited. Deposits are not made with banks and financial institutions unless they are on an approved list. Lloyds Bank is included on the lending list as it acts as the banker to the Authority. Other money market funds, banks and similar institutions with high grade credit ratings may be used subject to the agreement of the Chief Finance Officer. The Authority requires any new counterparty to have a minimum of an 'A' Fitch rating. Fitch is an independent organisation providing a rating for each individual financial institution. The Authority does not generally hold funds for longer term investment. The maximum exposure to credit risk at 31 March 2019 was **£11.7m** as detailed in note 13.

### **11.6 Liquidity Risk**

This reflects the possibility that the Authority might not have funds available to meet its commitments to make payments. The Authority forecasts its day to day cash requirements and has adopted a policy of maintaining a low level of cash and borrowing to fund capital expenditure. The Authority sets a balanced budget each year and has a high degree of certainty in its income streams from government and the collection of council tax by district councils and unitary authorities. The largest area of expenditure is on pay related costs which are highly predictable. It is therefore felt that there is no significant liquidity risk.

### **11.7 Refinancing and Maturity risk**

This is the risk that it is difficult or expensive to replace existing loans as they fall due. This risk is recorded on the Authority's risk register and monitored on a regular basis. The Authority manages a small portfolio of loans from the public works loan board. The Authority operates well within the borrowing limits set as part of its treasury management and prudential indicators. This limits the risk that the Authority may not have the capacity to renew a loan. The risk that interest rates may increase is monitored in conjunction with treasury management advisors and borrowing can be undertaken ahead of need if interest rates are favourable. There is not considered to be a significant refinancing and maturity risk.

### **11.8 Market Risk**

The Authority's exposure to interest rate movements on its borrowings is limited to new arrangements. Advice from treasury management advisors on future interest movements is used to inform decisions concerning the timing of new loans. There is an interest rate risk if the Authority is required to replenish borrowings at a higher interest rate. The maturity of borrowing is spread to minimise this risk. The sensitivity to a 1% increase in interest rates across all borrowings would increase the charge to the income and expenditure account by £270k per annum.

## **12 Debtors**

The analysis of Debtors is shown below:

2017/18		2018/19
£000		£000
3,907	Central government bodies	5,153
3,043	Other local authorities	2,897
-	National Health Service bodies	2
3,502	Bodies external to general government	1,620
<u>10,452</u>		<u>9,672</u>

The aged debt analysis for trade debtors below shows that **£36k** (8%) of these debtors are past their due date for payment.

Aged analysis of sales ledger	£000	%
0 to 30 days	435	92
31 to 60 days	20	5
61 to 90 days	-	-
91 to 121 days	1	-
121+ days	15	3

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in note 31.

### 13 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

2017/18		2018/19
£000		£000
2,596	Bank current accounts	3,182
7,500	Cash equivalent investments	8,500
<u>10,096</u>		<u>11,682</u>

### 14 Creditors

The analysis of Creditors is shown below:

2017/18		2018/19
£000		£000
(1,335)	Central government bodies	(1,426)
(1,353)	Other local authorities	(1,913)
(3,312)	Bodies external to general government	(2,855)
<u>(6,000)</u>		<u>(6,194)</u>

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in note 31.



## 15 Grant receipts in advance

The Authority has **£2,029k** grant receipts in advance (2017/18 £2,408k), of which **£1,975k** is for revenue and **£54k** for capital purposes.

## 16 Provisions

	Risk protection provision	Non-domestic rating appeals	Provision for payments to leavers	Provision for taxation on pension scheme	Total provisions
	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>(203)</b>	<b>(620)</b>	<b>(208)</b>	<b>(15)</b>	<b>(1,046)</b>
Adjustment to opening balance	-	-	-	-	-
Additional provisions made in year	-	-	-	-	-
Amounts used in year	53	(55)	208	(10)	196
Unused amounts reversed in year	-	-	-	-	-
<b>Balance at 31 March</b>	<b>(150)</b>	<b>(675)</b>	<b>-</b>	<b>(25)</b>	<b>(850)</b>

The balance of the Risk Protection provision at 31 March 2019 was **£150k** (2018 £203k) and includes provision for claims for motor, employers' liability and public liability policies. From October 2008 the Authority's insured against third party claims on its motor policy. The provision includes an allowance for incidents in the period where claims have not yet been notified.

The Non-domestic rating provision is the Authority's share of amounts provided for by Essex billing authorities for Non-domestic rating appeals.

## 17 Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves statement. The nature and purpose of these reserves is set out below:

### 17.1 General Fund

This is the accumulated surplus of income over expenditure after allowing for any General Fund Reserves (as below). Its strategic use is to safeguard against budget risk and adverse impact on future funding levels.

### 17.2 Capital grants unapplied

These are grants received for a specific purpose but remaining unspent at the end of the year.

### 17.3 Capital receipts reserve

These are proceeds of fixed assets sales available to finance or repay debt.

## 18 Unusable reserves

An analysis of the unusable reserves is shown below:

2017/18		2018/19
£000		£000
20,188	Revaluation Reserve	33,381
60,788	Capital Adjustment Account	66,858
(508)	Holiday Pay Account	(838)
1,411	Collection Fund Adjustment Account	1,198
(745,627)	Pensions Reserve	(799,437)
(663,748)		(698,838)

## 18.1 Revaluation reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18		2018/19
£000		£000
15,616	<b>Balance at 1 April</b>	20,188
4,934	Upward revaluation of assets	13,479
4,934	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	13,479
(192)	Difference between fair value depreciation and historical cost depreciation	(255)
(170)	Accumulated gains on assets sold	(31)
(362)	Amount written off to the Capital Adjustment Account	(286)
20,188	<b>Balance at 31 March</b>	33,381

## 18.2 Capital adjustment account

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 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 contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £000		2018/19 £000
61,025	<b>Balance at 1 April</b>	<b>60,788</b>
	<b>Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</b>	
(5,667)	Charges for depreciation & impairment of non current assets	<b>(5,909)</b>
395	Revaluation gains/(losses)	<b>7,151</b>
(477)	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	<b>(431)</b>
362	Adjusting amounts written out of the Revaluation Reserve	<b>286</b>
(5,387)	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>1,097</b>
	<b>Capital financing applied in the year:</b>	
5,150	Statutory provision for the financing of capital investment charged against the General Fund balance	<b>4,973</b>
5,150		<b>4,973</b>
60,788	<b>Balance at 31 March</b>	<b>66,858</b>

### 18.3 Holiday pay account

The Holiday Pay Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(487)	Balance at 1 April	<b>(508)</b>
(21)	Change in amounts accrued at the end of the current year	<b>(330)</b>
(508)	Balance at 31 March	<b>(838)</b>

### 18.4 Collection fund adjustment account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non domestic rate income in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £000		2018/19 £000
(205)	Balance at 1 April	<b>1,411</b>
1,616	Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	<b>(213)</b>
1,411	Balance at 31 March	<b>1,198</b>

## 18.5 Pension reserve

The Pension 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 pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits 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.

2017/18 £000	2018/19 £000
(863,959) Balance at 1 April	<b>(745,627)</b>
140,709 Actuarial gains or (losses) on pension assets and liabilities	<b>(12,467)</b>
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	<b>(41,343)</b>
<u>(22,377)</u> Balance at 31 March	<u><b>(799,437)</b></u>

## 19 Cash flow – Adjustment to surplus or deficit on the provision of services for non cash movements

2017/18 £000	2018/19 £000
(5,667) Depreciation and impairments	<b>(5,909)</b>
395 Revaluation gains/(losses)	<b>7,151</b>
12,315 (Increase)/decrease in creditors	<b>615</b>
(198) (Increase)/decrease in provisions	<b>196</b>
(152) Increase/(decrease) in inventories	<b>-</b>
(607) Increase/(decrease) in debtors	<b>(784)</b>
(5) (Increase)/decrease in provision for bad debts	<b>4</b>
(22,377) Movement in pension liability	<b>(41,343)</b>
288 Carrying amount of non-current assets sold	<b>114</b>
- Other non cash adjustments	<b>-</b>
<u>(16,008)</u>	<u><b>(39,956)</b></u>

Included in the above is **£1,301k** interest paid and **£83k** interest received.

## 20 Governance expenses

Governance expenses paid to the Police, Fire and Crime Commissioner for Essex in 2018/19 totalled **£214k** (£87k for the period 1 October 2017 to 31 March 2018).

## 21 Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2018/19 is listed below:

Remuneration band	Number of officers	
	2017/18	2018/19
£50,000 - £54,999	47	42
£55,000 - £59,999	11	10
£60,000 - £64,999	17	14
£65,000 - £69,999	3	3
£70,000 - £74,999	3	3
£75,000 - £79,999	3	2
£80,000 - £84,999	3	3
£85,000 - £89,999	1	-
£90,000 - £94,999	1	1
£95,000 - £99,999	-	2
£100,000 - £104,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	1	1
£150,000 - £154,999	-	1
£185,000 - £189,999	1	-

The tables below detail the individual remuneration of senior employee's for 2018/19 and 2017/18 respectively.

### 21.1 2018/19

Senior Officer Remuneration	Salary		Exit Package	Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances				
<b>2018/19</b>						
Chief Fire Officer and Chief Executive - Jo Turton	£149,940	-	-	-	£1,721	-
Assistant Chief Fire Officer	£118,033	-	-	£3,172	£1,875	£16,879
Assistant Chief Fire Officer - Service Improvement from 13th Aug 2018 to 31st March 2019	£34,167	-	-	£1,489	-	£7,206
Acting Chief Finance Officer	£77,189	-	-	£7,092	-	£12,505
Director of Transformation until 30th April 2018	£14,177	-	-	-	-	£1,571

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 21 (above).

## 21.2017/18

Senior Officer Remuneration	Salary		Exit Package	Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances				
<b>2017/18</b>						
Chief Fire Officer - A Eckley Acting Chief Fire Officer until 6th August, appointed Chief Fire Officer from 7th August 2017	£154,668	£28,620	-	£414	£1,801	£33,563
Chief Fire Officer - D Johnson 1st April to 25th April 2017	£20,777	£1,945	£280,000	-	£125	£2,182
Assistant Chief Fire Officer	£116,002	-	-	£3,420	£1,801	£23,124
Finance Director & Treasurer 1st April to 31st December 2017	£69,658	£413	£57,021	£3,840	£1,350	£11,285
Chief Finance Officer 1st January 2018 to 28th March 2018	£12,441	-	-	-	-	-
Acting Chief Finance Officer 29th to 31st March 2018	£562	-	-	£36	-	£91
Director of Transformation	£116,625	-	-	-	-	£18,893

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 21 (above).

During 2017/18 the Chief Fire Officer was paid the allowance in respect of the additional duties as the Chief Emergency Planning Officer.

## 22 External Audit costs

The Authority paid **£31k** (2017/18 £36k) for external audit services carried out by the appointed auditor.

## 23 Grant Income

This table shows the grants and contributions credited to the Comprehensive Income and Expenditure Statement in the year:

2017/18		2018/19
£000		£000
	<b>Credited to Services</b>	
502	Small Business Rate Relief	<b>819</b>
867	New Dimension	<b>857</b>
590	FireLink	<b>609</b>
45	ESMCP	<b>91</b>
437	Other	<b>314</b>
<u>2,441</u>		<u><b>2,690</b></u>

## 24 Related parties

During the year the Authority received and provided services as below:

2017/18		2018/19
£000		£000
<b>Provided services to:</b>		
	UK Central Government	
11,033	Revenue Support Grant	9,347
15,975	Non Domestic Rates (NDR) Grant	16,634
68	Police, Fire and Crime Commissioner for Essex	52
351	Essex Police	823
133	Essex County Council	189
532	EFA Trading Ltd	567
<u>28,092</u>		<u>27,612</u>
<b>Received services from:</b>		
100	Police, Fire and Crime Commissioner for Essex	214
85	Essex Police	156
903	Essex County Council	775
230	Fire and Rescue Indemnity Company Ltd.	213
<u>1,317</u>		<u>1,358</u>

There are some small outstanding balances which are included in note 12 and 14 for debtors and creditors respectively.

UK Central Government is responsible for providing the statutory framework, within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills).

Some Officers were on the board of EFA (Trading) Ltd whose related party transactions are detailed in the table above.

## 25 Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18		2018/19
£000		£000
39,171	<b>Opening Capital Financing Requirement</b>	37,913
<b>Capital investment</b>		
3,892	Property, plant and equipment	3,533
<b>Sources of finance</b>		
-	Capital receipts	-
<b>Sums set aside from revenue:</b>		
(5,150)	Revenue provision for capital financing	(4,973)
<u>37,913</u>	<b>Closing Capital Financing Requirement</b>	<u>36,473</u>
<b>Explanation of movements in year</b>		
(1,258)	Increase/(Decrease) in underlying need to borrow	(1,440)
<u>(1,258)</u>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<u>(1,440)</u>

## 26 Operating Leases

The Authority has some property and vehicle leases which have been accounted for as operating leases. The commitments under these operating leases are shown below.

2017/18 £000		2018/19 £000
	Commitments under operating leases	
54	Property - Not later than one year	54
28	Vehicles - Not later than one year	6
16	Property - Later than one year and not later than five years	12
45	Vehicles - Later than one year and not later than five years	176
-	Property - Later than five years	-
143		248

## 27 Capital Commitments

At 31 March 2019 the Authority had capital expenditure commitments of **£0.8m**.

## 28 Redundancy and early retirement costs – Exit packages

Redundancy and early retirement costs are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these payments.

These costs are recognised only when the Authority is demonstrably committed to terminate the employment on affected employees. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Packages	---Number of Staff ---		Total £000
	Compulsory	Other Departures	
<b>2018-19</b>			
up to £20K	1	-	9
£20K to £40K	1	-	23
<b>Total 2018-19</b>	<b>2</b>	<b>-</b>	<b>32</b>
<b>2017-18</b>			
up to £20K	1	-	13
£20K to £40K	1	-	37
£40K to £60K	1	-	57
£260K to £280K	1	-	280
<b>Total 2017-18</b>	<b>4</b>	<b>-</b>	<b>387</b>

The total cost of **£32k** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.



## 29 Pensions

### 29.1 Participation in pension schemes

The Authority agreed to set up a stakeholder pension scheme for retained firefighters commencing from 1 January 1999. The employers' contribution was **£10** per retained firefighter per month and in 2018/19 this cost **£1k** (£1k in 2017/18).

On 1 April 2015 a new Firefighters' Pension Scheme was introduced, and the following notes include the data for the three schemes combined, 2015, 2006 and 1992. Employees' and employers' contributions into the Firefighters' Pension Fund are determined by the Secretary of State on the advice of the Government Actuary. Payments of pensions and other retirement benefits are made from the Pension Fund (see page 73). Government grant is payable to cover any shortfall on the Pension Fund account.

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is a funded defined benefits scheme administered by Essex County Council. The Authority and employees pay contributions to the LGPS Pension Fund, calculated at a level intended to balance the pension liability with investment assets. The rate of contributions payable by employees range from 5.5% to 12.5% depending on the salary band of the employee. The Authority contributes at the rate prescribed by the Fund's actuary.

### 29.2 Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the funding needs of the Authority are based upon the cash payable in the year, so the real cost of retirement benefits is reversed out after Net Operating Expenditure.

#### **McCloud/Sargeant ruling on pension account disclosures**

Two successful employment tribunal cases were brought against the Government in relation to discrimination on reforms to public sector pensions in 2015.

Local Government Pension Scheme: The impact of the results of these cases has yet to be determined within the confines of the LGPS. At the suggestion of both the Government Actuaries Department (GAD), the Ministry of Housing, Communities and Local Government (MHCLG) and our External Auditors, Grant Thornton, we asked the Funds Actuaries, Barnett Waddingham, to undertake a review on whether the ruling would have a material impact on the figures shown within this note. They have concluded that any impact would not be of a material nature. The Authority has not therefore restated any of the details supplied within the year end assessment.

Firefighters' Pension Scheme: The result of these cases has a material impact on the figures disclosed within this note. The Fund Actuaries, Barnett Waddingham, have concluded the impact within their calculations to support the figures provided to the Authority. The adjustment to past service costs resulting from the outcome of these cases is £29,484k and is reflected against net cost of service in the Comprehensive Income and Expenditure Statement.

The following transactions have been made during the year:

	LGPS		Firefighters	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
<b>Net cost of services:</b>				
Service cost	3,827	3,879	16,889	41,633
Net interest on the defined liability (asset)	833	665	22,248	18,054
Administration expenses	17	21	-	-
Remeasurements in Other Comprehensive Income	(5,691)	(2,360)	(135,018)	14,827
<b>Net charge to the CIES</b>	<b>(1,014)</b>	<b>2,205</b>	<b>(95,881)</b>	<b>74,514</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>				
Reversal of net charges made for retirement benefits in accordance with IAS 19	4,677	4,565	39,137	59,687
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	2,636	1,649	18,664	21,305
<b>Net charge to the General Fund Summary</b>	<b>7,313</b>	<b>6,214</b>	<b>57,801</b>	<b>80,992</b>

### 29.3 Assets and liabilities in relation to retirement benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement. The Authority participates in two defined benefit pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by Essex County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.
- the Firefighters' Pension Scheme – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Local Government Pension Scheme contributions payable by employers are determined by the actuary to the Pension Fund based on triennial valuations, the most recent of which was at 31 March 2016. This determined the level of contributions payable during the year.

Reconciliation of asset and benefit obligation:

	LGPS		Firefighters	
	31/03/18	31/03/19	31/03/18	31/03/19
	£000	£000	£000	£000
<b>Opening Defined Benefit Obligation</b>	(78,525)	(80,854)	(832,964)	(718,419)
Current service cost	(3,808)	(3,600)	(16,189)	(11,680)
Interest cost	(2,183)	(2,025)	(22,248)	(18,054)
Change in assumptions	2,549	490	21,928	(14,827)
Liabilities assumed on settlements	-	1,004	-	-
Experience loss/(gain) on defined benefit obligation	-	-	113,090	-
Estimated benefits paid net of transfers in	1,819	1,587	22,105	24,581
Past service costs, including curtailments	(19)	(805)	(700)	(29,953)
Contributions by Scheme participants	(708)	(683)	(3,441)	(3,276)
Unfunded pension payments	21	21	-	-
<b>Closing Defined Benefit Obligation</b>	<b>(80,854)</b>	<b>(84,865)</b>	<b>(718,419)</b>	<b>(771,628)</b>

Reconciliation of opening and closing balances of the fair value of scheme assets:

	LGPS		Firefighters	
	31/03/18	31/03/19	31/03/18	31/03/19
	£000	£000	£000	£000
<b>Opening fair value of Scheme assets</b>	47,460	53,439	-	-
Interest on assets	1,350	1,360	-	-
Return on assets less interest	3,142	1,870	-	-
Administration expenses	(17)	(21)	-	-
Contributions by employer including unfunded	2,636	1,649	18,664	21,305
Contributions by Scheme participants	708	683	3,441	3,276
Estimated benefits paid plus unfunded net of transfers in	(1,840)	(1,608)	(22,105)	(24,581)
Other actuarial gains/(losses)	-	-	-	-
Settlement prices received	-	(478)	-	-
<b>Closing fair value of Scheme assets</b>	<b>53,439</b>	<b>56,894</b>	-	-

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£162k).

The expected return on 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.

## 29.4 Scheme history

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	37,194	39,082	47,460	53,439	56,894
Present Value of Defined Benefit Obligation	(59,099)	(59,381)	(78,525)	(80,854)	(84,865)
Surplus/(deficit) in the Scheme	<b>(21,905)</b>	<b>(20,299)</b>	<b>(31,065)</b>	<b>(27,415)</b>	<b>(27,971)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£856.5m** (£799.3m 2017/18) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£799.4m**.

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, as assessed by the scheme actuary; and
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local government Pension Scheme by the Authority in the year to 31 March 2020 is **£1.6m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2020 are **£4.1m**.

## 29.5 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 annual Fire Authority budget will make allowance for the firefighter's pension scheme payments based on an estimate of when such payments fall due. The Authority's budget is set taking the employer's pension contribution into account and government grant is received to cover any shortfall in the account.

Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, has assessed both the Firefighters' scheme and the Local Government Pension Scheme liabilities. The main assumptions used in their calculations are as follows:

	LGPS		Firefighters	
	2017/18	2018/19	2017/18 Restated	2018/19
<b>Mortality assumptions:</b>				
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4 years	22.9 years	23.2 years	22.4 years
Women	27.0 years	25.4 years	25.6 years	25.0 years
<i>Longevity at 65 for current pensioners:</i>				
Men	22.2 years	21.3 years	21.4 years	20.8 years
Women	24.7 years	23.6 years	23.7 years	23.1 years
Salary Increase Rate	3.80%	3.9%	3.8%	3.9%
Rate of increase in pensions	2.30%	2.4%	2.3%	2.4%
Discount Rate	2.55%	2.4%	2.6%	2.4%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>				
Service to April 2009	50%	50%	50%	50%
Service post April 2009	50%	50%	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below 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 scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	LGPS		Firefighters	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Longevity (increase or decrease in 1 year)	87,852	81,980	802,563	741,919
Rate of increase in salaries (increase or decrease by 1%)	85,052	84,679	772,720	770,540
Rate of increase in pensions (increase or decrease by 1%)	86,435	83,327	785,046	758,475
Rate for discounting scheme liabilities (increase or decrease by 1%)	83,143	86,624	757,401	786,152

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

	LGPS	
	31/03/18	31/03/19
	£000	£000
Equities	35,160	35,422
Bonds	5,587	6,345
Property	4,941	5,059
Cash	1,957	1,498
Alternative assets	3,652	5,547
Other managed funds	2,142	3,023
	<b>53,439</b>	<b>56,894</b>

## 29.6 Pensions Reserve

The change in the Pension Reserve for the year is shown in the following table.

	LGPS		Firefighters	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
<b>Opening balance:</b>	31,065	27,415	832,964	718,419
Current service cost	3,808	3,600	16,189	11,680
Interest cost	2,183	2,025	22,248	18,054
Changes in assumptions	(2,549)	(490)	(21,928)	14,827
Experience loss/(gain) on defined benefit obligation	-	-	(113,090)	-
Liabilities assumed on settlements	-	(1,004)	-	-
Past service cost, including curtailments	19	805	700	29,953
Contributions by employer including unfunded	(2,636)	(1,649)	(18,664)	(21,305)
Interest on assets	(1,350)	(1,360)	-	-
Return on assets less interest	(3,142)	(1,870)	-	-
Other actuarial gains/(losses)	-	-	-	-
Administration expenses	17	21	-	-
Settlement prices received	-	478	-	-
<b>Balance at 31 March</b>	<b>27,415</b>	<b>27,971</b>	<b>718,419</b>	<b>771,628</b>

## 30 Long Term Investments

The Authority owns the total share capital of EFA (Trading) Ltd. This **£94k** investment is held in the balance sheet at cost.

## 31 Council Tax and Non Domestic Rates

The Council Tax and Non Domestic (Business) Rates (NDR) income included on the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in reserves Statement. In addition, the Authority's Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

The Council Tax figures for 2018/19 and 2017/18, respectively, are shown below:

<b>2018/19</b>				
<b>Authority</b>	<b>Council Tax</b>	<b>Council Tax</b>	<b>Council Tax</b>	<b>Council Tax</b>
	<b>Cash</b>	<b>Prepayments</b>	<b>Arrears</b>	<b>Bad Debt</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Provision</b>
				<b>£000</b>
Basildon	(104)	(86)	470	(258)
Braintree	38	(59)	147	(38)
Brentwood	(38)	(47)	159	(64)
Castle Point	38	(31)	119	(82)
Chelmsford	(196)	(58)	287	(37)
Colchester	85	(123)	252	(144)
Epping Forest	25	(81)	191	(78)
Harlow	(23)	(41)	250	(93)
Maldon	46	(30)	80	(26)
Rochford	60	(21)	74	(56)
Southend	403	(65)	245	(142)
Tendring	51	(90)	242	(99)
Thurrock	(34)	(25)	132	(61)
Uttlesford	11	(29)	90	(50)
<b>Total</b>	<b>362</b>	<b>(786)</b>	<b>2,738</b>	<b>(1,228)</b>

<b>2017/18</b>				
<b>Authority</b>	<b>Council Tax</b>	<b>Council Tax</b>	<b>Council Tax</b>	<b>Council Tax</b>
	<b>Cash</b>	<b>Prepayments</b>	<b>Arrears</b>	<b>Bad Debt</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Provision</b>
				<b>£000</b>
Basildon	(87)	(83)	404	(223)
Braintree	63	(56)	134	(43)
Brentwood	58	(37)	154	(61)
Castle Point	49	(31)	111	(68)
Chelmsford	(136)	(59)	256	(33)
Colchester	33	(121)	256	(148)
Epping Forest	11	(79)	176	(69)
Harlow	77	(20)	263	(109)
Maldon	47	(31)	82	(25)
Rochford	72	(17)	64	(48)
Southend	409	(54)	223	(131)
Tendring	75	(88)	226	(91)
Thurrock	(49)	(23)	129	(61)
Uttlesford	2	(27)	86	(43)
<b>Total</b>	<b>624</b>	<b>(726)</b>	<b>2,564</b>	<b>(1,153)</b>

The Non Domestic Rates figures for 2018/19 and 2017/18, respectively, are shown below:

<b>2018/19</b>					
<b>Authority</b>	<b>Provision for Business Rates</b>				<b>NDR Bad Debt</b>
	<b>NDR Cash</b>	<b>appeals</b>	<b>Prepayments</b>	<b>NDR Arrears</b>	<b>Provision</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Basildon	111	(114)	(22)	17	(10)
Braintree	39	(31)	(4)	5	(1)
Brentwood	8	(28)	(7)	26	(11)
Castle Point	25	(27)	(3)	2	(2)
Chelmsford	120	(92)	(24)	28	(10)
Colchester	87	(104)	(11)	21	(11)
Epping Forest	84	(31)	(10)	14	(4)
Harlow	(5)	(11)	(11)	36	-
Maldon	16	(26)	(3)	7	(4)
Rochford	(5)	(6)	(2)	3	(2)
Southend	50	(43)	(17)	17	(6)
Tendring	56	(33)	(7)	9	(3)
Thurrock	118	(101)	(1)	16	9
Uttlesford	54	(28)	(6)	16	(6)
<b>Total</b>	<b>758</b>	<b>(675)</b>	<b>(128)</b>	<b>217</b>	<b>(61)</b>

<b>2017/18</b>					
<b>Authority</b>	<b>Provision for Business Rates</b>				<b>NDR Bad Debt</b>
	<b>NDR Cash</b>	<b>appeals</b>	<b>Prepayments</b>	<b>NDR Arrears</b>	<b>Provision</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Basildon	182	(78)	(11)	16	(7)
Braintree	49	(27)	(4)	8	(2)
Brentwood	13	(32)	(7)	30	(11)
Castle Point	19	(20)	(4)	3	(2)
Chelmsford	108	(95)	(23)	27	(9)
Colchester	80	(58)	(13)	25	(11)
Epping Forest	48	(34)	(13)	13	(4)
Harlow	(10)	(24)	(9)	41	-
Maldon	14	(14)	(3)	6	(4)
Rochford	(25)	(7)	(1)	5	(4)
Southend	20	(31)	(16)	18	(8)
Tendring	50	(28)	(9)	8	(2)
Thurrock	122	(130)	(7)	9	(2)
Uttlesford	31	(42)	(5)	14	(7)
<b>Total</b>	<b>701</b>	<b>(620)</b>	<b>(125)</b>	<b>223</b>	<b>(73)</b>

## **32 Premiums and Discounts**

Premiums and discounts are paid or received on early redemption of borrowing. As at the 1 April 2018 the Authority had no outstanding premiums or discounts balances on its Balance Sheet and none as at 31 March 2019.

## **33 Price and Foreign Exchange Risk**

Apart from the investment in EFA (Trading) Limited the Authority does not hold any financial investments in equity shares; consequently the Authority is not exposed to any losses arising from movements in the price of shares. The Authority's shareholding in EFA (Trading) Limited and its loans to the company are to facilitate those trading activities permitted by law.

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.



## FIREFIGHTERS' PENSION FUND ACCOUNT

FOR THE YEAR ENDED 31 March 2019

2017/18 £000	2018/19 £000
<b>Contributions receivable</b>	
	from employer
(3,929)	normal contributions
(138)	early retirements
(3,214)	from members
<b>Transfers in</b>	
-	individual transfers in from other schemes
<b>Benefits payable</b>	
17,836	pensions
3,108	commutations and lump sum retirement benefits
<b>Payments to and on account of leavers</b>	
7	individual transfers out to other schemes
13,670	<b>Deficit for the year before top-up grant receivable from central government</b>
(13,670)	Top up grant payable by sponsoring department
-	<b>Net amount payable for the year</b>

## FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 March 2019

2017/18 £000	2018/19 £000
<b>Net current assets and liabilities</b>	
(3,535)	Top up payable to/(receivable from) sponsoring department
3,535	Amount owing to general Fund
-	-

## NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

### 1 Background

A new Firefighters' Pensions Scheme (2015) was introduced for regular and retained firefighters employed with effect from 1<sup>st</sup> April 2015. Responsibility for policy on the pension schemes rests with central government. The administration and payment of individual pensions under the three pension schemes and benefits is the responsibility of fire and rescue authorities.

Employees' and employers' contributions into the Pension Fund are determined by the Secretary of State on the advice of the Government Actuary who will have regard to the total cost of Scheme benefits. They will be reviewed regularly. The Authority also makes

additional contributions where Firefighters retire early on health grounds. Valuations of the Firefighters' Pension Schemes are expected to take place every 4 years.

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2019.

## **2 Accounting policies**

### **2.1 Accounting convention**

The Pension Fund Statement of Accounts has been prepared on an accruals basis, except for transfers to and from the scheme which are accounted for on a cash basis, although cash equivalent transfer value regulations do not apply to transfers between Fire Authorities and in these circumstances a cash transfer value is not paid.

The Pension Fund has no investment assets and is balanced to nil at the end of the financial year. This is achieved by either paying over to central government the amount by which the total receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from central government equal to the amount payable from the fund exceeded the amount receivable.

### **2.2 Contributions**

Normal contributions, both from the employees and from employers, are accounted for in the payroll month to which they relate. Ill-health, retirement contributions are accounted for when paid. The percentage of salary rates for employee contributions increased in April 2012.

### **2.3 Benefits payable**

Retirement benefits are accounted for on an accrual basis.

### **2.4 Transfers to / from other Schemes**

Transfers are accounted for when the payment is received or made.

### **2.5 Basis of preparation and International Financial Reporting Standards**

The Pension Fund Statement of Account summarises the transactions of the scheme and the net assets of the Fund. The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year. The liability of the Authority in respect of Firefighter pensions is reported in Note 29 to the Authority's accounts.

## **GLOSSARY OF TERMS**

### **1 Accounting period**

The length of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **2 Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **3 Actuarial gains and losses**

For defined benefit schemes, the changes in actuarial deficits or surpluses arise because:

events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

### **4 Asset**

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community building, or intangible, e.g. computer software licences.

### **5 Audit of accounts**

An independent review of the Authority's financial affairs.

### **6 Balance sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **7 Budget**

The forecast of net revenue and capital expenditure over the accounting period.

### **8 Capital expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **9 Capital financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **10 Capital programme**

The capital schemes the Authority intends to carry out over a specific period of time.

## **11 Capital receipt**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

## **12 CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **13 Collection fund**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **14 Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **15 Contingent asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

## **16 Contingent liability**

A contingent liability is either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **17 Creditor**

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **18 Current service cost (pensions)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## **19 Debtor**

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **20 Deferred charges**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

## **21 Defined benefit pension scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **22 Depreciation**

The measure of the cost of wearing out, consumption, or other reduction, in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## **23 Discretionary benefits (pensions)**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **24 Equity**

The Authority's value of total assets less total liabilities.

## **25 Events after the balance sheet date**

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.

## **26 Exceptional items**

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **27 Expected return on pension assets**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **28 Extraordinary items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

## **29 Fair value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **30 Government grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

## **31 Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

## **32 Income and expenditure account**

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## **33 Interest cost (pensions)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **34 Investments (pension fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **35 Liability**

A liability is where the Authority owes payment to an individual or another organisation.

A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

### **36 Liquid resources**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount; or traded in an active market.

### **37 Long term contract**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

### **38 Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

### **39 Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

### **40 Net book value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

### **41 Net debt**

The Authority's borrowings less cash and liquid resources.

### **42 Non-domestic rates (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy.

### **43 Non-operational assets**

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

### **44 Operating lease**

A lease where the ownership of the fixed asset remains with the lessor.

## **45 Operational assets**

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **46 Past service cost (pensions)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

## **47 Pension scheme liabilities**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **48 Precept**

The levy made by precepting authorities to billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## **49 Prior year adjustment**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **50 Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **51 Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

## **52 Rateable value**

The annual assumed rental of a hereditament, which is used for NDR purposes.

## **53 Related parties**

There is a detailed definition of related parties in IAS 24. For the Authority's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.



## **54 Related party transactions**

The Code requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## **55 Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## **56 Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## **57 Residual value**

The net realisable value of an asset at the end of its useful life.

## **58 Retirement benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## **59 Revenue expenditure**

The day-to-day expenses of providing services.

## **60 Revenue support grant**

A grant paid by Central Government to authorities, contributing towards the general costs of their services.

## **61 Stocks**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

## **62 Temporary borrowing**

Money borrowed for a period of less than one year.

## **63 Useful economic life (UEL)**

The period over which the Authority will derive benefits from the use of a fixed asset.