

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



Policy and Strategy Committee

10:00	Wednesday, 24 June 2015	Fire HQ,
--------------	------------------------------------	-----------------

Quorum: 5

Membership

Councillor A Hedley
Councillor B Aspinell
Councillor J Chandler
Councillor A Erskine
Councillor A Holland
Councillor J Jowers
Councillor C Kent
Councillor A Naylor
Councillor Lady P Newton
Councillor P Oxley

Chairman

Vice-Chairman

**For information about the meeting please ask for:
Judith Dignum (Committee Services Manager, Essex County Council)
03330134579 / judith.dignum@essex.gov.uk**

Essex Fire Authority and Committees Information

Meetings of the Authority and its committees are open to the press and public, although they can be excluded if confidential information is likely to be considered.

Meetings are held at Essex County Fire and Rescue Service Headquarters, Kelvedon Park, Rivenhall, Witham, CM8 3HB. A map can be found on the Essex County Fire and Rescue Service's website (www.essex-fire.gov.uk); from the Home Page, click on 'Contact Us'.

There is ramped access to the building for wheelchair users and people with mobility disabilities.

Please report to Reception when you arrive. The meeting rooms are located on the ground and first floors of the building and are accessible by lift where required.

If you have a need for documents in an alternative format, in alternative languages or in easy read please contact the Committee Services Manager (contact details on the front page) before the meeting takes place. If you have specific access requirements please inform the Committee Services Manager before the meeting takes place.

The agenda is also available on the Essex County Fire and Rescue Service website, (www.essex-fire.gov.uk). From the Home Page, click on 'Essex Fire Authority', then scroll down the page and select the relevant documents.

Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

Please note that the attached reports are in draft form and should be treated as attached confidential

Pages

- | | | |
|----------|---|---------------|
| 1 | Membership
To note the membership of the Committee, as listed on the front page of the agenda | |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interest
To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct | |
| 4 | Minutes
To approve as a correct record the minutes of the meeting held on 18 March 2015 | 5 - 10 |

Decision Items

- | | | |
|----------|--|----------------|
| 5 | 2014/15 Accounts and Governance Statement
To receive a joint report by the Acting Chief Fire Officer and the Finance Director and Treasurer (EFA/054/15) | 11 - 90 |
|----------|--|----------------|

Information Items

- | | | |
|----------|--|----------------|
| 6 | Budget Review May 2015
To receive a report by the Finance Director and Treasurer (EFA/055/15) | 91 - 98 |
| 7 | Date of Next Meeting
To note that the next meeting of the Committee will take place on Wednesday 23 September 2015 at 10.00am | |
| 8 | Urgent Business
To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency | |

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

9

Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency



MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY POLICY & STRATEGY COMMITTEE HELD ON WEDNESDAY 18 MARCH 2015 AT 10:00AM

Present:

Councillor A Hedley	Chairman
Councillor J Chandler	
Councillor A Holland	Vice-Chairman
Councillor J Jowers	
Councillor C Kent	
Councillor J Moyies	
Councillor A Naylor	
Councillor P Oxley	
Councillor A Turrell	

Councillor C Seagers also attended.

An apology for absence was received from Councillor Lady P Newton.

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer
Dave Bill	Assistant Chief Fire Officer - Operations
Mike Clayton	Finance Director and Treasurer
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Roy Carter	Service Solicitor
Shirley Jarlett	Deputy Clerk and Monitoring Officer
Christine Connor	Head of Corporate Communications and Media
Judith Dignum	Secretary to the Committee

1. Opening Remarks

The Chairman congratulated Councillor Ann Naylor on her successful completion of the 'Hot Fire' course.

2. Declarations of Interest

Councillor J Jowers declared a personal interest in agenda item 6 (Programme 2020) in that he is the Chairman of the Essex Police and Crime Panel (minute 6 below refers).

3. Minutes

The minutes of the meeting held on 14 February 2015 were agreed as a correct record and signed by the Chairman.

4. Budget Review – January 2015

The Committee considered report EFA/028/15 by the Finance Director and Treasurer which reported on expenditure against budget as at 31 January 2015 and identified major variances to the budget for the period. In addition, the report considered the year end position for reserves and the potential carry-forward of budget provision for expenditure from 2014/15 into 2015/16.

In introducing the report, the Finance Director and Treasurer advised that approval was being sought to carry forward £2,103k of capital expenditure, rather than £1,765k as stated in the report.

Members gave detailed consideration to the issue of training. The Director of Human Resources and Organisational Development advised that the underspending had arisen due to efficiencies in delivery, and more development opportunities were available now than there had been before. An organisation-wide training needs assessment had been conducted and the current training programme had been designed to respond to the needs identified, although the results of the staff survey (available on the intranet, and to be the subject of a report to the next Essex Fire Authority meeting) showed that views on training varied across the Service. Members expressed concern about the difficulties associated with providing training to retained fire fighters, and were informed that work was in hand to attempt to address this by introducing more flexible provision.

The Chairman advised any Members who became aware of potential training needs during their visits to Fire Stations to liaise with the Director of Human Resources and Organisational Development. He also informed Members that a major programme of training on new systems was due to commence shortly and asked them to bear in mind that it would take a while to reach everyone.

The following additional points arose from consideration of the report:

- It was agreed to circulate a full list of the various reserves to all members of Essex Fire Authority.
- The Committee noted that the budget for home fire safety/sprinkler systems was £250k/year for three years.

- The Director for Human Resources and Organisational Development advised that the underspending on the Workforce Transformation Programme had occurred as a result of savings having been achieved earlier than anticipated. The sum being carried forward into 2015/16 was required to meet costs associated with the delivery of the strategy, and provision would be made for this as 'business as usual' in budgets for subsequent years. Staff employed to work specifically on the transformation project were on fixed-term contracts which would expire at the end of the following year.
- It was noted that the £0.4m of forecast underspend being carried forward into 2015/16 and allocated to the Cultural Review represented an estimate of the amount which would be required for this project. Detailed cost information was not available at this stage.

Resolved:

1. That the review of income and expenditure against the budget be noted.
2. That the actual position with regard to capital expenditure be noted.
3. That the reduction in the level of the two earmarked reserves be agreed.
4. That the budget provision for £2,103k of capital expenditure to be carried forward into 2015/16 be agreed
5. That £147k of revenue underspending on the Workforce Transformation Programme be carried forward into 2015/16
6. That the remaining underspend in 2014/15 be carried forward to 2015/16 and used to provide a budget for the costs of the Cultural Review.
7. That a full list of reserves be sent to all members of Essex Fire Authority.

5. Review of Finance Policies

The Committee considered report EFA/029/15 by the Finance Director and Treasurer which sought approval for amendments to the Authority's Financial and Procurement Regulations and the Anti-Fraud Policy. The policies were included with the report as appendices.

In introducing the report, the Finance Director and Treasurer explained that the policies had been amended for reasons of simplification and to ensure that they reflected the current organisation structure, best practice and external guidance. He highlighted the most significant changes being proposed.

Resolved:

That the amended Financial & Procurement Regulations and Anti-Fraud Policy, attached to report EFA/029/15 as Appendices 1 and 2 respectively, be approved.

6. Programme 2020

Councillor J Jowers declared a personal interest in this item (minute 2 above refers).

The Committee considered report EFA/030/15 by the Acting Chief Fire Officer which provided an overview of the programme of work to design a Fire and Rescue Service for Essex, Southend and Thurrock that can improve community safety, meet future strategic challenges, provide value for money and remain fit for purpose in 2020 and beyond.

In introducing the report, the Acting Chief Fire Officer advised that it was planned to deliver a new Service Strategy, incorporating all the options for change agreed by Essex Fire Authority following a comprehensive consultation strategy, from April 2016.

The following issues arose from Members' consideration of the report:

- It was agreed that the Chairman, Vice-Chairman and Lead Members of the Authority should be invited to attend meetings of the 2020 Programme Board and should receive all associated agendas and reports.
- Due to potential uncertainties around Essex Fire Authority membership following the Parliamentary and Local Authority elections on 7 May, it was agreed that the proposed extraordinary meeting of the Authority on 11 May should not proceed. Instead, the draft Integrated Risk Management Plan would be submitted to the Annual Meeting of the Authority on 10 June, with a view to its approval for public consultation. To reflect the impact that this delay would have on the preparation of the Integrated Risk Management Plan (IRMP), it was also agreed that a new, later, date should be identified for the extraordinary meeting of the Authority originally proposed for 14 October. The purpose of this meeting would be to approve the IRMP for public consultation.
- The Committee was keen to ensure that the views of staff and trades unions regarding the future design of the Service were heard and taken into account from the outset. The Acting Chief Fire Officer commented on the existing plans in place to achieve this, stating that he would welcome suggestions from staff and unions. Members gave detailed consideration to other potential options to promote engagement, including an opportunity for representatives from all appropriate Trades Unions to attend and speak at a Fire Authority meeting.

Resolved:

1. That the report, amended as appropriate to take account of actions agreed at this meeting, be submitted to the next meeting of Essex Fire Authority on 15 April 2015.

2. That the draft Integrated Risk Management Plan be submitted to the meeting of Essex Fire Authority on 10 June 2015, with a view to its approval for public consultation.
3. That a suitable date be identified in autumn 2015 for an extraordinary meeting of Essex Fire Authority to consider and approve for consultation proposals for future changes to the design of the Fire and Rescue Service.
4. That the Chairman, Vice-Chairman and Lead Members of the Authority be invited to attend meetings of the 2020 Programme Board and receive all associated agendas and reports.
5. That arrangements be made for representatives from all appropriate Trades Unions to attend and speak at a future meeting of Essex Fire Authority.

7. Date of Next Meeting

It was noted that the next meeting of the Committee would take place on Wednesday 24 June at 10.00am.

8. Presentation to Linda Boar, PA to the Chairman and Members of Essex Fire Authority

The Chairman made a presentation to Linda Boar in view of her forthcoming retirement from her role as PA to the Chairman and Members. On behalf of all the members of the Authority he thanked her for her help and support over many years. Councillor Ann Holland, Vice-Chairman and a long-standing member of the Authority, echoed the Chairman's remarks and made a personal presentation to Linda, wishing her every happiness for her retirement. Linda responded with thanks.

The meeting closed at 10.55am.

Chairman
24 June 2015

ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service



MEETING	Policy & Strategy Committee	AGENDA ITEM	5
MEETING DATE	24 June 2015	REPORT NUMBER	EFA/054/15
SUBJECT	2014/15 Accounts and Governance Statement		
REPORT BY	The Acting Chief Fire Officer and The Finance Director & Treasurer		
PRESENTED BY	The Finance Director & Treasurer, Mike Clayton		

SUMMARY

Under the Accounts and Audit Regulations, Members of the Fire Authority must approve an Annual Governance Statement and this statement may be included in the statement of accounts and published by 30 June. In addition the Authority must publish unaudited accounts by 30 June. This paper provides a review of the key governance arrangements and a summary of the key issues from the accounts for 2014/15.

The accounts are still being finalised as we await some final details to be provided.

RECOMMENDATIONS

Members of the Policy & Strategy Committee are asked to:

1. Review and agree the Annual Governance Statement;
2. Agree the Review of Accounting Policies;
3. Agree the use of estimates in the accounts;
4. Note that the Finance Director & Treasurer will sign and date the Accounts for 2014/15 by 30 June 2015; and
5. Authorise the Chairman and Chief Fire Officer to sign the Annual Governance Statement.

BACKGROUND

The requirements for the approval of the Authority's accounts are set down in The Accounts and Audit (England) Regulations 2011 (SI 2011 No 817). In summary the following actions are now required for the approval of the Audited accounts:

Ref	Requirement	Action
4(2)	Annual review of the effectiveness of the system of internal control	Review by Audit, Governance & Review Committee in July 2015
4(3)	Annual governance statement	Policy & Strategy Committee – June 2015 and September 2015
6(3)	Review effectiveness of internal audit	Review by Audit, Governance & Review Committee in July 2015
7	Publish remuneration of senior employees	Included in Accounts
8(2)	Financial Officer to sign accounts by 30 June	Awaiting approval of Annual governance Statement
8(3)	Approval and Publishing of Accounts by 30 September	Approval planned for P&S Committee on 23 September 2015

The regulations also provide for the public inspection of the accounts (20 working days), for written objections to the accounts and for the publication of the annual audit letter.

OUTTURN POSITION FOR 2014/15

The outturn position reflects the decisions made by this Committee in March 2015, these were:

Agree the carry forward of £147kof revenue expenditure into 2015/16; and

To use the balance of underspending to be carried forward to provide a budget for the costs of the Cultural Review commissioned by the Authority.

The table below summarises the outturn position for the year:

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD
Firefighters	34,729	(1,519)	-4%
Firefighters - Retained Duty System	6,183	447	8%
Control	1,673	19	1%
Support Staff	11,295	166	1%
Total Employment Costs	53,880	(887)	-2%
Support Costs	1,911	(271)	-12%
Premises & Equipment	10,603	449	4%
Other Costs & Services	3,329	(196)	-6%
Ill health pension costs	2,077	1,876	++
Financing Items	7,602	(1,104)	-13%
Operational income	(4,918)	(831)	20%
Contribution (to)/from Reserves	(1,105)	1,069	-49%
Total Other Costs	19,499	994	5%
Total Budget	73,378	107	0%
Total Funding	(73,378)	(107)	0%
Funding Gap / (Surplus)	(0)	(0)	++

ANNUAL GOVERNANCE STATEMENT

The Annual Governance statement will also be reviewed by the Audit, Governance & Review Committee in July 2015.

In addition the Audit Committee reviewed the effectiveness of the arrangements for Internal Audit. The table below shows the internal audit results for the last five years:

	Limited Assurance or No Assurance	Reasonable Assurance	Substantial Assurance
2010/11	0	10	4
2011/12	0	4	2
2012/13	1	5	2
2013/14	2	4	3
2014/15	2	4	3

In 2014/15 the areas with limited or no assurance were risk management (for a second year) and HR transactional processing. An action plan to address the weakness in assurance around risk management was put in place for 2014/15 but resources to deliver the actions were used to manage the 40 periods of industrial action during the year as a result of the continuing national dispute between the fire brigades union and the government over pensions and a new local dispute centring on the implementation of changes in Control.

The Governance statement is attached as Appendix 1. It includes the actions being undertaken in 2014/15 to address areas where weaknesses in controls were identified through internal audit.

2014/15 ACCOUNTS – ACCOUNTING POLICIES AND ESTIMATES

As part of the approval process for the Accounts the Committee has to consider and agree two key aspects. Firstly, any changes to the Accounting Policies adopted by the Authority and secondly the use of estimates within the accounts.

The Accounting Policies are set out on pages 15 to 30 within the accounts. These policies set down the key factors adopted where there is flexibility in the accounting standards. An example would be the life adopted for capital assets purchased by the Authority. There have been no significant changes to the policies in the 2014/15 accounts.

The second area for Member consideration is for the use of estimated figures within the accounts. The use of estimates is set down in Note 6 which states:

“The statement of accounts includes accounting estimates concerning the carrying amounts of assets and liabilities and the amount of the periodic consumption of an asset. The estimates include the method of depreciation chosen for fixed assets which impacts on both the carrying value of the asset and the charge in the income and expenditure account for the consumption of the asset in the year. There have been no changes to the accounting estimates in the year..”

RISK ANALYSIS

The Governance Statement will also be reviewed by the Audit, Governance & Review Committee which also receives all reports from the Internal Auditor and all reports from the External Auditor. The Committee also receives reports monitoring the completion of actions in response to audit recommendations. The Committee will have the opportunity to consider amendments to the Governance Statement arising from that review, and the Auditor's Review of the accounts in September 2015.

The reporting of the final outturn position to this committee completes the review process for budgetary control ensuring that Members are aware of the main variations to budget, the reasons for the variations and that Members have the opportunity to challenge Officers in respect of the achievement of the budget. In addition, the budget review reports are also submitted to the Audit, Governance and Review Committee.

LEGAL IMPLICATIONS

The Finance Director & Treasurer is required to certify the accounts by 30 June and the Authority must approve and publish accounts by 30 September, after completion of the review by our auditors.

FINANCIAL IMPLICATIONS

There are no financial implications from approval of the Authority's accounts.

USE OF RESOURCES

There are no use of resources implications from approval of the Authority's accounts.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
Appendix 1 – Governance Statement	
Appendix 2 – 2014/15 Statement of Accounts	
Proper Officer:	Finance Director & Treasurer
Contact Officer	Mike Clayton, Essex County Fire & Rescue Service, Kelvedon Park, Kelvedon, CM8 3HB Tel: 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

GOVERNANCE STATEMENT

The Authority is responsible for ensuring that its 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 Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the framework of good governance published by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. This statement explains how the Authority has complied with the code and also meets requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

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 which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its 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 on-going process designed to identify and prioritise the risks to the achievement of the Authority'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.

The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

The Governance Framework is comprised of 6 core principles that are detailed below:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the strategic managers within the Authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Audit, Governance and Review Committee has been given responsibility for:

1. overseeing the implementation and monitoring the operation of the code;
2. reviewing the operation of the code in practice; and
3. reporting on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Fire Authority's Internal Auditor has responsibility to review and report to the Authority's Audit, Governance and Review Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's arrangements for governance, risk management and control. An overall positive opinion was given for 2013/14 and the same opinion is expected for 2014/15. The provision of Internal Audit Services is through a contract with Baker Tilly LLP. The Authority is able to take substantial assurance from the budgetary controls and the key financial controls.

The Audit, Governance and Review Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority's financial management arrangements conform to the governance requirements contained in the CIPFA statement on "The Role of the Chief Financial Officer in Local Government (2010)". Internal Audit reports on the key area of financial controls confirm that they provide substantial assurance to the Authority.

Significant Governance Issues

On the basis of a review of the corporate governance arrangements we report that there are no aspects where there is no evidence of compliance with the core principles. During the year Members received reports with reviews of a number of key areas. These included:

- The retained duty system;
- The risk register; and
- Finance, procurement and fraud policies.

A number of areas were identified in the 2013/14 governance statement for further development. The most significant areas and the actions undertaken are summarised below:

Area	Actions
Refresh of the Partnership Register	The register has been amended, but further work to ensure that the Partnership Manager has signed copies of all agreements is required.
Development and implementation of an action plan to address lack of assurance in Corporate Risk and Business Continuity	The action plan was reported to the Authority and a new risk register reported in February 2015. Further work to develop the engagement of all departmental managers in the management of corporate risks is required to ensure that full assurance can be provided to the Authority.
Completion of the Workforce Transformation Programme	The programme completed in March 2015 and a closure report was noted by the Authority in June 2015.
Review of Authority Work Plan	The Authority reviewed the work plan in April 2015

Member comments, internal audit reports, external audit comment and other reviews have identified a number of areas where further work on governance or control issues is required. Further development of our plans to improve the overall governance arrangements will be carried out in the following areas during 2015/16:

1. Completion of an action plan to address lack of assurance in Corporate Risk and Business Continuity;
2. The level of reserves and the approach to investment of surplus cash balances; and
3. The 2020 Programme of Service re-design.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the areas where there is a need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Audit, Governance and Review Committee and as part of our next annual review.

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 and the regular reporting on financial and performance issues to Members. As part of these reviews action plans were identified and reported on. There were no materially significant internal control issues identified during the year.

Signed: _____

Chairman, Essex Fire Authority

Signed: _____

Acting Chief Fire Officer



AGENDA ITEM 5

EFA/054/15

APPENDIX 2

ESSEX FIRE AUTHORITY

2014/15 ACCOUNTS

Published 24 June 2015

TABLE OF CONTENTS

EXPLANATORY FOREWORD	3
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.....	10
GOVERNANCE STATEMENT	11
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX FIRE AUTHORITY	14
STATEMENT OF ACCOUNTING POLICIES	17
ACCOUNTING STATEMENTS	29
MOVEMENT IN RESERVES STATEMENT	29
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	30
BALANCE SHEET	31
CASH FLOW STATEMENT	32
NOTES TO THE ACCOUNTS.....	33
FIREFIGHTERS' PENSION FUND ACCOUNT.....	62
FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT.....	62
NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT.....	62
GLOSSARY OF TERMS.....	64

EXPLANATORY FOREWORD

BY THE FINANCE DIRECTOR & TREASURER

1 Introduction

The Authority's financial performance for the year ended 31 March 2015 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 2014/15. It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Authority.

2 The Statement of Accounts

This Statement of Accounts explains the Authority's finances during the financial year 2014/15 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 2014/15 comprise:

2.1 Movement in Reserves Statement

This Statement, as set out on page 29, shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The "surplus or (deficit) on the provision of services" line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The net increase /decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

2.2 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 generally accepted 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.

2.3 Balance Sheet

The Balance Sheet, as set out on page 31, 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 **£106.3m** of long term assets, mainly comprising fire stations, offices, workshops and fire appliances. These are funded by **£33.5m** of long term loans. The Authority's general reserve stood at **£3.7m** and the earmarked reserves decreased by **£2.1m** to **£7.8m**.

2.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 32, 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.

3 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:

3.1 Firefighters' Pension Fund Account

The statement as set out on page 62 summarises the Firefighters' Pension Fund financial transactions for the year.

During the year 40 wholetime firefighters retired from the Service. As a result the payment of lump sums was **£3.4m** in 2014/15 compared to **£2.8m** in 2013/14. The amount due from the Department for Communities and Local Government was **£0.8m** at 31 March 2015.

3.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 62 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.

4 The Service Revenue Account

In 2014/15 the Authority's total planned net expenditure was **£73.3m**. The final position for the year was a transfer from reserves of **£1.1m**. The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

Just over half (53%) 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 national 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.

	Approved Budget	Actual Expenditure	Variance overspend/ (underspend)
2014/15	£000	£000	£000
Net Revenue Expenditure			
Firefighters	36,248	34,729	(1,519)
Firefighters - Retained Duty System	5,736	6,182	446
Control	1,653	1,673	19
Support Staff	11,129	11,295	165
Total Employment Costs	54,766	53,879	(888)
Support Costs	2,182	1,911	(271)
Premises & Equipment	10,154	10,603	449
Other Costs & Services	3,524	3,329	(196)
Ill health pension costs	201	2,077	1,876
Statutory Provision for Capital Financing	6,675	5,639	(1,036)
Voluntary Provision for Capital Financing	60	-	(60)
Financing Items	1,971	1,963	(8)
Contribution to/(from) Reserves	(2,175)	(1,105)	1,070
Total Other Costs	22,592	24,417	1,824
Total Gross Expenditure	77,358	78,296	938
Operational Income	(4,087)	(4,918)	(831)
Total net expenditure outturn	73,271	73,378	106

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

The Authority continued to operate a freeze on the recruitment of full time firefighters, in addition, a combination of more firefighters electing to retire than budgeted and savings on overtime and additional shift working costs resulted in an underspend for the year of **£1.5m**. Overall support and other costs were in line with budget.

The overspend of **£1.9m** on ill health pension costs relates to additional injury payments which, following a review in July 2014, were identified as payable by the Authority and not the Pension Account. Whilst the 2013/14 Accounts were adjusted to reflect this, the cost was not included in the 2014/15 budget as the liability was not evident when the budget was approved in February 2014.

5 Capital expenditure

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

2014/15	Approved Capital Expenditure £000	Actual Capital Expenditure £000	Variance overspent / (underspent) £000
Property	5,687	4,947	(740)
Vehicles	1,841	767	(1,074)
Information Systems & Equipment	3,860	2,995	(865)
Total capital payments	11,389	8,710	(2,679)
Internal Resources	8,500	5,821	(2,679)
Grants	2,889	2,889	-
Total capital funding	11,389	8,710	(2,679)

The Authority's capital expenditure programme included **£2.4m** for the further development of Kelvedon Park. We invested **£1.3m** in our property portfolio mainly on fire stations and training facilities and also a further **£1.2m** on solar panels. In addition there was spend of **£3.8m** on ICT and operational equipment and vehicles.

6 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 long term loan of **£4.0m**, leaving the total loans at year end at **£33.5m**. This includes **£4.0m** of short term loans due for repayment in 2015/16. These are all provided by the Public Works Loans Board.

The Authority had set a limit of **£54.9m** for external debt in the year.

7 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. Group Accounts are not produced because the impact of the trading company is not material.

The company employs no staff directly; it operates using staff seconded 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 for the year to 31 March 2015.

8 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 2014/15.

9 Government Financial Reporting Manual (FReM)

The Code of Practice for Local Authority Accounting encourages authorities to prepare the explanatory forward taking into consideration the provisions of paragraphs 5.2.8 -5.2.12 of the Governments Financial Reporting Manual where these paragraphs disclose information relevant to local authorities.

The paragraphs below deal with relevant matters. Some of the requirements are not relevant to the accounts of the Authority, in particular, there are no significant contractual or other arrangements which are essential to the activities of the Authority, and there are no social and community issues requiring a separate item.

10 Financial outlook

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 2015/16 was approved by the Fire Authority in February 2015 and reflects a reduction in the total budget from £73.3m (2014/15) to £71.8m (2015/16). The service has already made efficiency savings to enable this reduction to be absorbed and produce a balanced budget for 2015/16. The Authority continues to actively identify savings in order to provide funds for continuing improvements and ensure we continue to operate to a stable and balance budget.

The budget for 2015/16 is available at: http://www.essex-fire.gov.uk/img/pics/pdf_1428920325.pdf

A review is carried out each year to determine an appropriate level of reserves to ensure that the Authority has sufficient financial resilience to cover emergencies and unforeseen events.

The level of reserves at 31st March 2015 is £11.6m. The level of general and earmarked reserves is particularly important and will help mitigate against risk of overspend in future years. In this context a reduction in our government grant of £2.6m will be made in 2015/16 and a period of further financial constraint is expected over the next few years.

11 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 to 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.

12 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/>

13 Employees

As at 31 March 2015 the Authority employs 1,540 people comprising 756 wholetime and 486 retained firefighters, 36 control staff and 262 support staff. We aim to ensure that our employment policies reflect best practice.

The Workforce Transformation Programme (WTP) has successfully completed the delivery of all eighteen projects which were envisaged within the redefined Programme inception in April/May 2013 and the Programme is now ready to close.

The closure report for this programme is available to view at: <http://cmis.essexcc.gov.uk/essexcmis5/CalendarofMeetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3251/Committee/73/SelectedTab/Documents/Default.aspx>

We value our people, recognising that their contribution to the organisation is crucial to its on-going growth and development and are committed to the promotion of respect and understanding and to promoting equality of opportunity amongst our employees. We publish details of our policies for equality and diversity on our website at: http://www.essex-fire.gov.uk/Media/Equality_Diversity/

14 Key performance indicators

The Authority actively manages against key corporate objectives, such as changing crewing arrangements to achieve greater efficiency and against key performance indicators including rate of fires, hoax calls attended, appliance availability and mobilising times. Details of performance are reported to the Fire Authority each June and papers are available via the link within 15 Reporting cycle below.

15 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 members. These reports are reviewed at meetings of both the Audit, Governance and Review Committee and the Policy and Strategy Committee. These papers are published with the papers for each meeting and are available at:

<http://cmis.essexcc.gov.uk/essexcmis5/CalendarofMeetings.aspx>

16 Significant interests held by members and senior officers

The Clerk and Monitoring Officer 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 Clerk and Monitoring Officer, Philip Thomson, Essex Legal Services, Tel: 01245 506760, e-mail: Philip.thomson@essex.gov.uk.

17 Glossary

A glossary of accounting terms is provided on pages 64 to 71 to assist the reader.

18 Further information

Further information about the Authority's accounts is available from the Finance Director & Treasurer to the Fire Authority, Essex Fire Headquarters, Kelvedon Park, CM8 3HB (*by telephone (01376) 576000 or by E-mail mike.clayton@essex-fire.gov.uk*).

Mike Clayton
Finance Director and Treasurer to the Fire Authority
24 June 2015.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director and Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Finance Director and Treasurer's responsibilities

- The Finance Director and Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Finance Director and Treasurer 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 Finance Director and Treasurer has also:

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

The Finance Director & Treasurer'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 2015 and its income and expenditure for the year ended 31 March 2015.

Mike Clayton
Finance Director and Treasurer to the Fire Authority
24 June 2015

GOVERNANCE STATEMENT

The Authority is responsible for ensuring that its 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 Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the framework of good governance published by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. This statement explains how the Authority has complied with the code and also meets requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

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 much it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its 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 on-going process designed to identify and prioritise the risks to the achievement of the Authority'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.

The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

The Governance Framework is comprised of 6 core principles that are detailed below:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the strategic managers within the Authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Audit, Governance and Review Committee has been given responsibility for:

- overseeing the implementation and monitoring the operation of the code;
- reviewing the operation of the code in practice; and
- reporting on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Fire Authority's Internal Auditor has responsibility to review and report to the Authority's Audit, Governance and Review Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's arrangements for governance, risk management and control. An overall positive opinion was given for 2014/15. The provision of Internal Audit Services is through a contract with Baker Tilly LLP. The Authority is able to take substantial assurance from the budgetary controls and the key financial controls.

The Audit, Governance and Review Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority's financial management arrangements conform to the governance requirements contained in the CIPFA statement on "The Role of the Chief Financial Officer in Local Government (2010)". Internal Audit reports on the key area of financial controls confirm that they provide substantial assurance to the Authority.

Significant Governance Issues

On the basis of a review of the corporate governance arrangements we report that there are no aspects where there is no evidence of compliance with the core principles. During the year Members reviewed a number of key areas. These included:

- The level of the Authority's financial reserves;
- The Service Strategy 2014-2019; and
- Finance and procurement policies.

A number of areas were identified in the 2013/14 governance statement for further development. The most significant areas and the actions undertaken are summarised below:

Area	Actions
Refresh of the Partnership Register	The register has been amended, but further work to ensure that the Partnership Manager has signed copies of all agreements is required.

Area	Actions
Development and implementation of an action plan to address lack of assurance in Corporate Risk and Business Continuity	The action plan was reported to the Authority and a new risk register reported in February 2015. Further work to develop the engagement of all departmental managers in the management of corporate risks is required to ensure that full assurance can be provided to the Authority.
Completion of the Workforce Transformation Programme	The programme completed in March 2015 and a closure report was noted by the Authority in June 2015.
Review of Authority Work Plan	The Authority reviewed the work plan in April 2015

Member comments, internal audit reports, external audit comment and other reviews have identified a number of areas where further work on governance or control issues is required, Further development of our plans to improve the overall governance arrangements will be carried out in the following areas during 2015/16:

- Completion of an action plan to address lack of assurance in Corporate Risk and Business Continuity;
- The level of reserves and the approach to investment of surplus cash balances; and
- The 2020 programme of Service re-design.

The most significant area to be addressed is the assurance around risk management. This will be done through improvements to risk descriptions and controls, reviewing risks and controls in line with review dates, documenting the assurance process, and reviews of departmental risk registers by the Strategic Management Board, and control measures by the Strategic Delivery Board. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the areas where there is a need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Audit, Governance and Review Committee and as part of our next annual review.

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 and the regular reporting on financial and performance issues to Members. As part of these reviews action plans were identified and reported on. There were no materially significant internal control issues identified during the year.

Signed: _____

Chairman, Essex Fire Authority

Signed: _____

Acting Chief Fire Officer

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX
FIRE AUTHORITY**

This page is intentionally left blank

This page is intentionally left blank

STATEMENT OF ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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 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.

There were no exceptional items arising in the year required to be shown separately in the Comprehensive Income and Expenditure statement.

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.

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. However, it is required to make an annual 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.

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.

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.
- 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.

7 Provisions and contingent liabilities

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.

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.

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.

9 Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the code of practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

10 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.

11 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.

11.1 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.

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

Donated assets are measured initially at fair value. The difference between fair 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 – fair value, determined using the basis of existing use value for social housing; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

11.3 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.

11.4 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.

11.5 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.

11.6 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 this amount less costs to sell. 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 Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

12 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)

13 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.

14 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.

15 Employee Benefits

15.1 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.

15.2 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.

15.3 Post-employment benefits

The Authority participates in three different pension schemes:

15.4 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.

15.5 Firefighters' pension schemes

There are two 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 introduced in 2006.

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.

15.6 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.

16 Financial Instruments

16.1 Financial Liabilities

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

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

16.2 Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

16.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

16.4 Available for sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

17 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.

ACCOUNTING STATEMENTS

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
Balance at 31 March 2014	2,574	9,929	35	1,970	14,508	(542,088)	(527,580)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(3,180)	(1,189)	-	-	(4,369)	-	(4,369)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,210	1,210
Total Comprehensive Income & Expenditure	(3,180)	(1,189)	-	-	(4,369)	1,210	(3,159)
Adjustments between accounting basis & funding basis under regulations (Note 8)	3,451	-	(35)	50	3,466	(3,466)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	271	(1,189)	(35)	50	(903)	(2,256)	(3,159)
Transfers to or (from) earmarked reserves	897	(897)	-	-	-	-	-
Increase (Decrease) in Year	1,168	(2,086)	(35)	50	(903)	(2,256)	(3,159)
Balance at 31 March 2015	3,742	7,843	-	2,020	13,605	(544,344)	(530,739)

	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
Balance at 31 March 2013	7,051	7,668	35	1,023	15,777	(597,872)	(582,095)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(23,423)	2,521	-	-	(20,902)	-	(20,902)
Other Comprehensive Income and Expenditure	-	-	-	-	-	75,417	75,417
Total Comprehensive Income & Expenditure	(23,423)	2,521	-	-	(20,902)	75,417	54,515
Adjustments between accounting basis & funding basis under regulations (Note 8)	18,686	-	-	947	19,633	(19,633)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,737)	2,521	-	947	(1,269)	55,784	54,515
Transfers to or (from) earmarked reserves	260	(260)	-	-	-	-	-
Increase (Decrease) in Year	(4,477)	2,261	-	947	(1,269)	55,784	54,515
Balance at 31 March 2014	2,574	9,929	35	1,970	14,508	(542,088)	(527,580)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

AS AT 31 MARCH 2015

2013/14 Net £000		2014/15		
		Expenditure £000	Income £000	Net £000
	Community Safety			
5,597	Statutory inspection, certification and enforcement	6,586	(301)	6,285
8,163	Prevention and education	10,007	(693)	9,314
	Fire Fighting and Rescue Operations			
45,192	Operational responses	54,297	(2,261)	52,036
7,322	Communications and mobilising	8,829	(666)	8,163
771	Securing water supplies	981	(134)	847
608	Fire Service Emergency Planning and Civil Defence	1,499	(715)	784
	Corporate and Democratic Core			
686	Democratic representation and management	876	(40)	836
70	Corporate management	83	(1)	82
17	Non distributed costs	62	-	62
68,426	Deficit on Continuing Operations	83,220	(4,811)	78,409
	Other Operating Expenditure			
490	(Gain) or loss on Disposal of Fixed Assets			(50)
5	Pension administration costs			15
	Financing and Investment Income and Expenditure			
1,764	Interest payable on debt			1,652
-	Interest element of finance leases			-
26,561	Net interest on the net defined benefit liability (asset)			719
(117)	Investment interest income			(109)
	Taxation and Non-Specific Grant Income			
(21,692)	Revenue Support Grant			(19,164)
(14,410)	National Non-Domestic Rates			(14,881)
(38,566)	Council Tax & NDR			(39,333)
(1,559)	Capital Grant			(2,889)
20,902	(Surplus) or Deficit on Provision of Services			4,369
(2,412)	(Surplus) or deficit on revaluation of non current assets			(5,348)
(73,005)	Remeasurements of the net defined benefit liability (asset)			4,138
(75,417)	Other Comprehensive Income and Expenditure			(1,210)
(54,515)	Total Comprehensive Income and Expenditure			3,159

BALANCE SHEET

AS AT 31 MARCH 2015

31 March 2014 £000		Notes	31 March 2015 £000
	Property, Plant & Equipment	10	
86,069	Land and Buildings		92,460
10,494	Vehicles, plant and equipment		10,683
6,420	Fixed assets under construction		907
-	Surplus Assets		2,105
128	Long Term Investments	34	128
103,111	Long Term Assets		106,283
597	Inventories	13	635
8,937	Short Term Debtors	14	4,831
26,593	Cash and Cash Equivalents	15	25,559
-	Assets held for sale	16	-
36,127	Current Assets		31,025
(4,369)	Short Term Borrowing		(4,307)
(19,679)	Short Term Creditors	17	(21,565)
(1,893)	Grants Receipts in advance	18	(315)
(25,941)	Current Liabilities		(26,187)
(33,500)	Long Term Borrowing	12	(29,500)
(273)	Provisions	19	(161)
(607,104)	Other Long Term Liabilities	32	(612,199)
(640,877)	Long Term Liabilities		(641,860)
(527,580)	Net Liabilities		(530,739)
	Usable Reserves		
2,574	General Fund		3,742
9,929	Earmarked General Fund Reserves		7,843
35	Capital Grants Unapplied		-
1,970	Capital Receipts Reserve		2,020
14,508	Usable reserves	20	13,605
	Unusable Reserves		
5,339	Revaluation Reserve		10,582
59,807	Capital Adjustment Account		57,589
(464)	Holiday Pay Account		(650)
334	Collection Fund Adjustment Account		334
(607,104)	Pension Reserve		(612,199)
(542,088)	Unusable Reserves	21	(544,344)
(527,580)	Total Reserves		(530,739)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

2013/14 £000	Note	2014/15 £000
20,902	Net (surplus) or deficit on the provision of services	4,369
(31,366)	22 Adjustment to surplus or deficit on the provision of services for non-cash movements	(15,995)
(1,399)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50)
(60)	Proceeds from the sale of assets	-
(11,923)	EFAT Trading Ltd loan repayment	-
	Net cash flows from operating activities	(11,676)
	Net cash outflows from investing activities	
8,120	Purchase of assets	8,710
94	EFA Trading Ltd share investment	-
2,258	Net cash outflows from financing activities	4,000
(1,451)	Net (increase)/decrease in cash and cash equivalents	1,034
(25,142)	Cash and cash equivalents at the beginning of the reporting period	(26,593)
(26,593)	Cash and cash equivalents at the end of the reporting period	(25,559)

NOTES TO THE ACCOUNTS

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 29 to 32 and provide further information upon the financial performance of the Authority during 2014/15.

1 Significant accounting policies

The Authority's Accounting Policies are set out in the previous section.

2 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 set out below:

IFRS 13 Fair Value Measurement – This standard requires local authorities to measure their assets and liabilities and provide disclosures where a section of the Code requires or permits fair value measurement.

Annual Improvements to IFRSs (2011 – 2013 cycle) – The issues included in this are: IFRS1 Meaning of effective IFRSs, IFRS3 Scope exceptions for joint ventures and IAS40 Clarifying the interrelationship of IFRS3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner-occupied property.

IFRIC 21 Levies – This provides interpretative guidance on the accounting for levies based on the recognition criteria in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3 Critical judgements in applying accounting policies

The most significant critical judgement made in the statement of accounts is concerning the impact of the uncertainty about future levels of funding for the Authority. The Authority has made service changes that are sufficient to enable the budget to be balanced in 2015/16. The Authority has no reason to believe 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 Authority has also made judgements in the apportionment of costs across the Service headings contained within the Comprehensive Income and Expenditure Statement.

4 Service analysis

The Chartered Institute of Public Finance & Accountancy Service Reporting Code of Practice places a mandatory requirement on Fire and Rescue Authorities to present the service analysis in a standard form. The aim of the Code is to increase consistency and comparability between authorities. The Comprehensive Income and Expenditure Statement has been presented in this standard format.

5 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Finance Director & Treasurer on 24 June 2015. There are no events after 31 March 2015 that need to be reflected in the financial statements or notes, events taking place after 24 June 2015 have not been considered.

6 Accounting estimates

The statement of accounts includes accounting estimates concerning the carrying amounts of assets and liabilities and the amount of the periodic consumption of an asset. The estimates include the method of depreciation chosen for fixed assets which impacts on both the carrying value of the asset and the charge in the income and expenditure account for the consumption of the asset in the year. There have been no changes to the accounting estimates in the year.

7 Material items of income and expenditure

There are no material items of income or expenditure arising in the year that require separate disclosure.

8 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.

2014/15	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Emergency Planning Reserve	
	£000	£000	£000	£000	
Adjustments involving the Capital Adjustment Account:					
Comprehensive Income and Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	4,503	-	-	-	(4,503)
Revaluation losses on Property Plant and Equipment	6,383	-	-	-	(6,383)
Capital grants and contributions	(2,889)	-	-	-	2,889
Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	-	-	(35)	-	35
Carrying amount of non current assets sold	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Position For Capital Funding	(5,639)	-	-	-	5,639
Adjustments involving the Capital Receipts Reserve:					
Proceeds From Sale of Non Current Assets	(50)	50	-	-	-
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,740	-	-	-	(2,740)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,783)	-	-	-	1,783
Adjustments involving the Collection Fund Adjustment Account:					
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	-	-	-	-	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	186	-	-	-	(186)
Total Adjustments	3,451	50	(35)	-	(3,466)

Adjustments between accounting basis and funding basis under regulations

2013/14	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	
Adjustments involving the Capital Adjustment Account:					
Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	4,567	-	-	-	(4,567)
Revaluation losses on Property Plant and Equipment	(205)	-	-	-	205
Capital grants and contributions	(1,559)	-	-	-	1,559
Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	-	-	-	-	-
Carrying amount of non current assets sold	1,889	-	-	-	(1,889)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Position For Capital Funding	(9,136)	-	-	-	9,136
Adjustments involving the Capital Receipts Reserve:					
Proceeds From Sale of Non Current Assets	(1,399)	947	-	-	452
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	43,939	-	-	-	(43,939)
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,386)	-	-	-	19,386
Adjustments involving the Collection Fund Adjustment Account:					
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	(120)	-	-	-	120
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	96	-	-	-	(96)
Total Adjustments	18,686	947	-	-	(19,633)

9 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.

2014/15	Balance at 1 April	Provisions made in year	Transfer from/(to) General Fund	Balance at 31 March
Earmarked General Fund Reserves:	£000	£000	£000	£000
Emergency Planning Reserve	315	50	-	365
Retained Pay Reserve	1,500	-	(900)	600
Spend to Save Reserve	2,930	(1,386)	(413)	1,131
Taxbase and Collection Account Reserve	1,000	-	(500)	500
National Non-Domestic Rates Collection Reserve	600	-	-	600
Infrastructure Reserve	1,000	-	1,400	2,400
Rolling Budgets Reserve	584	147	(484)	247
Business Continuity Reserve	500	-	-	500
Insurance Reserve	1,500	-	-	1,500
Total	9,929	(1,189)	(897)	7,843

2013/14	Balance at 1 April	Provisions made in year	Transfer from/(to) General Fund	Balance at 31 March
Earmarked General Fund Reserves:	£000	£000	£000	£000
Emergency Planning Reserve	208	107	-	315
Retained Pay Reserve	1,500	-	-	1,500
Spend to Save Reserve	1,000	1,930	-	2,930
Taxbase and Collection Account Reserve	1,000	-	-	1,000
National Non-Domestic Rates Collection Reserve	600	-	-	600
Infrastructure Reserve	1,000	-	-	1,000
Rolling Budgets Reserve	360	484	(260)	584
Business Continuity Reserve	500	-	-	500
Insurance Reserve	1,500	-	-	1,500
Total	7,668	2,521	(260)	9,929

10 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.

2014/15	Land and buildings	Vehicles, plant & equipment	PP&E under construction	Surplus Assets	Total PP&E
Cost or valuation	£000	£000	£000	£000	£000
At 1 April	87,328	28,079	6,420	-	121,827
Additions	11,243	2,980	(5,513)	-	8,710
Reclassifications and transfers	(2,105)	-	-	2,105	-
Revaluation increases/(decreases) to Revaluation Reserve	5,348	-	-	-	5,348
Revaluation increases/(decreases) to surplus or deficit on the provision of services	(6,383)	-	-	-	(6,383)
Disposals	-	(1,256)	-	-	(1,256)
Reversal of accumulated depreciation on revaluation	(2,971)	-	-	-	(2,971)
At 31 March	92,460	29,803	907	2,105	125,275
Depreciation and impairment					
At 1 April	1,259	17,585	-	-	18,844
Depreciation charge	1,712	2,791	-	-	4,503
Reversal of accumulated depreciation on revaluation	(2,971)	-	-	-	(2,971)
Disposals	-	(1,256)	-	-	(1,256)
At 31 March	-	19,120	-	-	19,120
Net Book value					
At 31 March 2015	92,460	10,683	907	2,105	106,155
At 31 March 2014	86,069	10,494	6,420	-	102,983

2013/14	Land and buildings	Vehicles, plant & equipment	PP&E under construction	Surplus Assets	Total PP&E
Cost or valuation	£000	£000	£000	£000	£000
At 1 April	88,330	33,602	1,235	-	123,167
Additions	1,510	1,425	5,185	-	8,120
Revaluation increases/(decreases) to Revaluation Reserve	2,412	-	-	-	2,412
Revaluation increases/(decreases) to surplus or deficit on the provision of services	205	-	-	-	205
Disposals	(354)	(6,948)	-	-	(7,302)
Reversal of accumulated depreciation on revaluation	(4,775)	-	-	-	(4,775)
At 31 March	87,328	28,079	6,420	-	121,827
Depreciation and impairment					
At 1 April	4,679	20,736	-	-	25,415
Depreciation charge	1,419	3,148	-	-	4,567
Reversal of accumulated depreciation on revaluation	(4,775)	-	-	-	(4,775)
Disposals	(64)	(6,299)	-	-	(6,363)
At 31 March	1,259	17,585	-	-	18,844
Net Book value					
At 31 March 2014	86,069	10,494	6,420	-	102,983
At 31 March 2013	83,651	12,866	1,235	-	97,752

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

Class of asset	Asset life for depreciation purposes
Buildings	31 to 60 years
Fire appliances	13 to 15 years
Cars and vans	3 to 6 years
Other operational vehicles	6 to 15 years
Operational equipment	3 to 15 years
IT equipment	3 years

An analysis of the capital expenditure and the way it was financed is set out below:

2014/15	Approved Capital Expenditure £000	Actual Capital Expenditure £000	Variance overspent / (underspent) £000
Property	5,687	4,947	(740)
Vehicles	1,841	767	(1,074)
Information Systems & Equipment	3,860	2,995	(865)
Total capital payments	11,389	8,710	(2,679)
Internal Resources	8,500	5,821	(2,679)
Grants	2,889	2,889	-
Total capital funding	11,389	8,710	(2,679)

The Authority's fixed assets principally include:

	2013/14	2014/15
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	31	31

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). 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.

11 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.

12 Financial Instruments

12.1 Financial Instrument Balances

The financial instrument balances are summarised below:

	Long term		Short term		Fair value	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000
Investments						
Investments	128	128	-	-	128	128
Cash & cash equivalents	-	-	26,593	25,559	26,593	25,559
Debtors						
Short-term debtors	-	-	407	966	407	966
Creditors						
Short term creditors	-	-	(519)	(883)	(519)	(883)
Borrowings						
Long term borrowing	(33,500)	(29,500)	-	-	(36,181)	(35,971)
Short term borrowing	-	-	(4,369)	(4,307)	(4,143)	(4,146)

Loans and receivables are valued at invoice value or equivalent. Current liabilities 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 **£1,652k** and interest income of **£109k**.

12.2 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 most of 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. The balance of long term liabilities comprise finance leases.

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 2015 the fair value of PWLB debt is **£40.1m** compared to £40.3m as at 31 March 2014.

2013/14 PWLB loans		2014/15
£000		£000
Repayment period		
6,500	Between 2 - 5 years	5,000
3,500	Between 5 - 10 years	2,000
23,500	Over 10 years	22,500
33,500	Balance at 31 March	29,500

The longest dated loan is one of £4.5m that runs until December 2034. The weighted average interest rate was 4.59% at 31 March (2013/14 4.57%).

12.3 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 rate 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 by the Authority's Treasury advisors from the market on 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 12.1.

12.4 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.

12.5 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 Finance Director & Treasurer. 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 2015 was £25.6m.

12.6 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.

12.7 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 and has a small number of finance leases. 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. Loans of £4.0m and £1.5m are due to mature in 2015/16 and 2016/17 respectively. There is not considered to be a significant refinancing and maturity risk.

12.8 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 £335k per annum.

13 Inventories

The values of stock items held are summarised in the table below:

	Stores		Vehicle parts		Diesel		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	391	438	72	75	109	84	572	597
Purchases	551	400	500	549	451	425	1,502	1,374
Recognised as an expense	(509)	(432)	(497)	(526)	(476)	(433)	(1,482)	(1,391)
Provision for redundant stock	5	55	-	-	-	-	5	55
Balance at 31 March	438	461	75	98	84	76	597	635

14 Debtors

The analysis of Debtors is shown below:

2013/14 £000		2014/15 £000
5,113	Central government bodies	342
2,128	Other local authorities	2,816
-	National Health Service bodies	2
1,696	Bodies external to general government	1,671
<u>8,937</u>		<u>4,831</u>

The aged debt analysis for trade debtors below shows that £31k (4%) of these debtors are past their due date for payment.

Aged analysis of sales ledger	£000	%
0 to 30 days	810	96
31 to 60 days	1	-
61 to 90 days	26	4
91 to 121 days	3	-
121+ days	1	-

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in Notes 35 and 36 respectively.

15 Cash and cash equivalents

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

2013/14 £000		2014/15 £000
26,593	Bank current accounts	25,559
<u>26,593</u>		<u>25,559</u>

16 Assets held for sale

2013/14 £000		2014/15 £000
950	Balance at 1 April	-
-	Assets newly classified as held for sale	-
-	Revaluation losses	-
-	Revaluation gains	-
-	Impairment	-
(950)	Assets sold	-
<u>-</u>	Balance at 31 March	<u>-</u>

17 Creditors

The analysis of Creditors is shown below:

2013/14 £000		2014/15 £000
(14,622)	Central government bodies	(13,384)
(2,008)	Other local authorities	(2,603)
(3,049)	Bodies external to general government	(5,578)
<u>(19,679)</u>		<u>(21,565)</u>

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in notes 35 and 36 respectively.

18 Grant receipts in advance

The Authority has **315k** grant receipts in advance (2013/14 £1,893k), all of which is for revenue purposes.

19 Provisions

	Insurance provision £000	Provision for payments to leavers £000	Provision for taxation on pension scheme £000	Total provisions £000
Balance at 1 April	(175)	(94)	(4)	(273)
Additional provisions made in year	-	-	-	-
Amounts used in year	-	34	-	34
Unused amounts reversed in year	18	60	-	78
Balance at 31 March	(157)	-	(4)	(161)

The balance of the Insurance provision at 31 March 2015 was **£157k** (2014 £175k) 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.

20 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:

20.1 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.

20.2 Capital grants unapplied

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

20.3 Capital receipts reserve

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

21 Unusable reserves

An analysis of the unusable reserves is shown below:

2013/14 £000		2014/15 £000
5,339	Revaluation Reserve	10,582
59,807	Capital Adjustment Account	57,589
(464)	Holiday Pay Account	(650)
334	Collection Fund Adjustment Account	334
(607,104)	Pensions Reserve	(612,199)
(542,088)		(544,344)

21.1 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.

2013/14 £000		2014/15 £000
3,058	Balance at 1 April	5,339
2,412	Upward/(downward) revaluation of assets	5,348
5,470	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	10,687
(88)	Difference between fair value depreciation and historical cost depreciation	(105)
(43)	Movement in revaluation reserve for accumulated gain on assets sold	-
5,339	Balance at 31 March	10,582

21.2 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 £000		2014/15 £000
54,780	Balance at 1 April	59,807
	Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:	
(4,567)	Charges for depreciation non current assets	(4,503)
205	Charges for impairment of non current assets	(6,383)
	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	-
(1,437)		
131	Adjusting amounts written out of the Revaluation Reserve	105
(5,668)	Net written out amount of the cost of non current assets consumed in the year	(10,781)
	Capital financing applied in the year:	
1,559	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,889
-	Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	35
9,136	Statutory provision for the financing of capital investment charged against the General Fund balance	5,639
-	Voluntary provision for the financing of capital investment charged against the General Fund balance	-
10,695		8,563
59,807	Balance at 31 March	57,589

21.3 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.

2013/14	2014/15
£000	£000
(368) Balance at 1 April	(464)
(96) Change in amounts accrued at the end of the current year	(186)
<u>(464)</u> Balance at 31 March	<u>(650)</u>

21.4 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.

2013/14	2014/15
£000	£000
214 Balance at 1 April	334
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	-
<u>120</u>	<u>-</u>
<u>334</u> Balance at 31 March	<u>334</u>

21.5 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.

2013/14	2014/15
£000	£000
(655,556) Balance at 1 April	(607,104)
73,005 Actuarial gains or losses on pension assets and liabilities	(4,138)
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	(957)
<u>(24,553)</u>	<u>(957)</u>
<u>(607,104)</u> Balance at 31 March	<u>(612,199)</u>

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

2013/14 £000		2014/15 £000
(4,567)	Depreciation	(4,503)
205	Impairments	(6,383)
(2,727)	(Increase)/decrease in creditors	597
218	(Increase)/decrease in provisions	112
25	Increase/(decrease) in inventories	38
523	Increase/(decrease) in debtors	(4,948)
(24,553)	Movement in pension liability	(957)
(490)	Carrying amount of non-current assets sold	50
-	Other non cash adjustments	-
(31,366)		(15,995)

Included in the above is **£1,652k** interest paid and **£109k** interest received.

23 Amounts reported for resource allocation decisions

The Chartered Institute of Public Finance and Accountancy Service Reporting Code of Practice requires that Authorities analyse the financial performance of their operations in the Comprehensive Income and Expenditure Statement using the service analysis included in the Service Reporting Practice. The aim is to ensure consistency of reporting between Authorities. The format below reflects the management process for reporting on and controlling expenditure, the figures given in the table below are extracted from the reporting system adopted by the Authority. The accounting policies for the segmental analysis are the same as those used for the Financial Statements.

2014/15 Description	Service Delivery £000	Service Support £000	Total £000
Firefighters	28,576	6,153	34,729
Firefighters - Retained Duty System	6,182	-	6,182
Control	(0)	1,673	1,673
Support Staff	813	10,482	11,295
Total Employment Costs	35,571	18,308	53,879
Support Costs	286	1,625	1,911
Premises & Equipment	236	10,367	10,603
Other Costs & Services	203	3,126	3,329
Ill health pension costs	-	2,077	2,077
Statutory Provision for Capital Financing	-	5,639	5,639
Voluntary Provision for Capital Financing	-	-	-
Financing Items	-	1,963	1,963
Contribution to/(from) Reserves	-	(1,105)	(1,105)
Total Other Costs	725	23,692	24,417
Total Gross Expenditure	36,296	42,000	78,296
Operational Income	(1,102)	(3,816)	(4,918)
Total net expenditure outturn	35,194	38,184	73,378

2014/15 - Reconciliation to Deficit on Continuing Operations per the Comprehensive Income & Expenditure Statement	£000
Total Net Expenditure per Segmental Analysis	73,378
Depreciation and impairment	10,886
IAS19 Pension adjustment	223
Transfer to Reserves	918
Transfer to Holiday Pay Account	186
Add Amounts not reported to management	12,213
Interest payments	(1,652)
Interest and investment income	109
Capital financing provision	(5,639)
Remove amounts not included in the Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement	(7,182)
Deficit on Continuing Operations per Comprehensive Income & Expenditure Statement	78,409

2014/15 - Reconciliation to Deficit on Provision of Services per the Comprehensive Income & Expenditure Statement	£000
Total Net Expenditure per Segmental Analysis	73,378
Depreciation and impairment	10,886
IAS19 Pension adjustment	223
Transfer to Reserves	918
Transfer to Holiday Pay Account	186
Profit on Disposal of Assets	(50)
Capital financing provision	(5,639)
Pension Interest Costs	734
Government Grants and Contributions	(33,931)
Income from Council tax	(39,447)
Capital Grant	(2,889)
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	4,369

2013/14	Service Delivery	Service Support	Total
Description	£000	£000	£000
Firefighters	29,730	6,103	35,833
Firefighters - Retained Duty System	4,901	-	4,901
Control	-	1,654	1,654
Support Staff	754	9,833	10,587
Total Employment Costs	35,385	17,590	52,975
Support Costs	254	1,836	2,090
Premises & Equipment	65	10,789	10,854
Other Costs & Services	140	2,542	2,682
Ill health pension costs	-	1,937	1,937
Statutory Provision for Capital Financing	-	9,136	9,136
Financing Items	-	1,999	1,999
Contribution to/(from) Reserves	-	(2,216)	(2,216)
Total Other Costs	459	26,023	26,482
Total Gross Expenditure	35,844	43,613	79,457
Operational Income	(1,074)	(3,835)	(4,909)
Total net expenditure outturn	34,770	39,778	74,548

2013/14 - Reconciliation to Deficit on Continuing Operations per the Comprehensive Income & Expenditure Statement	
	£000
Total Net Expenditure per Segmental Analysis	74,548
Depreciation and impairment	4,363
IAS19 Pension adjustment	(2,013)
Transfer to Reserves	2,216
Transfer to Holiday Pay Account	96
Add Amounts not reported to management	4,661
Interest payments	(1,764)
Interest and investment income	117
Capital financing provision	(9,136)
Remove amounts not included in the Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement	(10,783)
Deficit on Continuing Operations per Comprehensive Income & Expenditure	68,426

2013/14 - Reconciliation to Deficit on Provision of Services per the Comprehensive Income & Expenditure Statement	
	£000
Total Net Expenditure per Segmental Analysis	74,548
Depreciation and impairment	4,363
IAS19 Pension adjustment	(2,013)
Transfer to Reserves	2,216
Transfer to Holiday Pay Account	96
Loss on Disposal of Assets	490
Capital financing provision	(9,136)
Pension Interest Costs	26,566
Government Grants and Contributions	(35,850)
Income from Council tax	(38,818)
Capital Grant	(1,559)
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	20,902

An analysis of assets and liabilities is not included as these are not reported internally as part of management's decision making process for resource allocation.

24 Members allowances and expenses

Allowances and expenses paid to members in 2014/15 totalled **£152k** (£147k in 2013/14).

25 Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2014/15 is listed below:

Remuneration band	Number of officers	
	2013/14	2014/15
£50,000 - £54,999	16	21
£55,000 - £59,999	20	13
£60,000 - £64,999	7	4
£65,000 - £69,999	7	10
£70,000 - £74,999	4	4
£75,000 - £79,999	-	5
£80,000 - £84,999	5	4
£85,000 - £89,999	1	1
£90,000 - £94,999	-	1
£95,000 - £99,999	-	4
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	3	2
£120,000 - £124,999	1	-
£125,000 - £129,999	1	2
£150,000 - £154,999	1	-
£160,000 - £164,999	-	1
£180,000 - £184,999	1	-
£190,000 - £194,999	-	1

The tables below detail the individual remuneration of senior employee's for 2014/15 and 2013/14 respectively.

25.1 2014/15

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2014/15					
Chief Fire Officer - D Johnson	£150,999	£28,000	£12,501	£1,291	£32,163
Deputy Chief Fire Officer - Service Support	£142,281	£20,022	£1,029	£1,291	£30,306
Assistant Chief Fire Officer	£112,312	£3,502	£521	£1,291	£23,922
Assistant Chief Fire Officer	£112,312	£3,502	-	£1,291	£23,922
Finance Director & Treasurer	£112,312	£3,502	£7,675	£1,291	£16,098
Director of Human Resources and Organisational Development	£111,100	£4,069	£12,327	£1,291	£16,008

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 25 (above).

25.2 2013/14

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2013/14					
Chief Fire Officer - D Johnson	£150,119	£28,000	£5,272	£1,243	£32,408
Deputy Chief Fire Officer - Service Support	£148,615	-	£2,292	£1,198	£28,938
Assistant Chief Fire Officer	£114,034	-	£590	£1,198	£24,023
Assistant Chief Fire Officer	£124,679	-	-	£1,198	£22,864
Finance Director & Treasurer	£114,008	£340	£4,634	£1,198	£12,723
Director of Human Resources and Organisational Development	£112,625	-	£10,044	£1,198	£12,585

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 25 (above).

The Chief Fire Officer receives a non-pensionable allowance of £28k per annum in respect of additional duties as the Chief Emergency Planning Officer for Essex County Council. The cost of the allowance to the Authority is reimbursed by the County Council. The amount is included in the above tables.

26 External Audit costs

The Authority paid **£48k** (2013/14 £48k) for external audit services carried out by the appointed auditor.

27 Related parties

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

2013/14 £000		2014/15 £000
Provided services to:		
	UK Central Government	
21,692	Revenue Support Grant	19,164
14,410	National Non Domestic Rates (NNDR) Grant	14,881
359	EFA Trading Ltd	290
36,461		34,335
Received services from:		
232	Essex County Council	287
-	EFA Trading Ltd	10
232		297

There are some small outstanding balances which are included in note 14 and 17 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).

During the year, none of the Fire Authority Members or senior officers or parties related to them has undertaken any material transactions with Essex Fire Authority.

28 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.

2013/14		2014/15
£000		£000
40,864	Opening Capital Financing Requirement	37,837
	Capital investment	
8,120	Property, plant and equipment	8,710
	Sources of finance	
(452)	Capital receipts	-
(1,559)	Government grants and other contributions	(2,924)
	Sums set aside from revenue:	
(9,136)	Revenue provision for capital financing	(5,639)
37,837	Closing Capital Financing Requirement	37,984
	Explanation of movements in year	
(3,027)	Increase/(Decrease) in underlying need to borrow	147
(3,027)	Increase/(Decrease) in Capital Financing Requirement	147

29 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.

2013/14		2014/15
£000		£000
	Commitments under operating leases	
-	Property leases expiring within one year	63
43	Vehicle leases expiring within one year	
128	Property leases expiring between one and five years	65
438	Vehicle leases expiring between one and five years	
3	Property leases expiring after five years	4
612		132

30 Capital Commitments

At 31 March 2015 the Authority had capital expenditure commitments of **£8.9m**.

31 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	
2014-15			
Salary Band			
up to £20K	7	-	35
up to £40K	5	-	81
up to £60K	1	-	3
Total 2014-15	13	-	119
2013-14			
Salary Band			
up to £20K	5	-	60
up to £40K	8	-	266
Total 2013-14	13	-	326

The total cost of £119k above has been charged to the Authority's Comprehensive Income and Expenditure Statement in 2014/15.

32 Pensions

32.1 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 2014/15 this cost **£2k** (£3k in 2013/14).

A new Firefighters' Pension Scheme was introduced for regular and retained firefighters employed with effect from 6 April 2006. 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 62). 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.

32.2 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. The following transactions have been made during the year:

	LGPS		Firefighters	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Net cost of services:				
Service cost	1,757	2,006	15,616	-
Net interest on the defined liability (asset)	825	719	25,736	-
Administration expenses	5	15	-	-
Remeasurements in Other Comprehensive Income	(3,477)	4,138	(69,528)	-
Net charge to the CIES	(890)	6,878	(28,176)	-
Adjustments between accounting basis & funding basis under regulations:				
Reversal of net charges made for retirement benefits in accordance with IAS 19	2,587	2,740	41,352	-
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	1,426	1,687	17,977	-
Net charge to the General Fund Summary	4,013	4,427	59,329	-

32.3 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 2014. This determined the level of contributions payable during the year.

Reconciliation of asset and benefit obligation:

	LGPS		Firefighters	
	31/03/14	31/03/15	31/03/14	31/03/15
	£000	£000	£000	£000
Opening Defined Benefit Obligation	(47,485)	(48,459)	(636,597)	(590,444)
Current service cost	(1,757)	(1,848)	(15,616)	-
Interest cost	(2,130)	(2,170)	(25,736)	-
Change in assumptions	2,006	(7,131)	(8,777)	-
Experience loss/(gain) on defined benefit obligation	567	(8)	78,305	-
Estimated benefits paid net of transfers in	831	1,225	21,578	-
Past service costs, including curtailments	-	(158)	-	-
Contributions by Scheme participants	(511)	(570)	(3,601)	-
Unfunded pension payments	20	20	-	-
Closing Defined Benefit Obligation	(48,459)	(59,099)	(590,444)	(590,444)

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

	LGPS		Firefighters	
	31/03/14	31/03/15	31/03/14	31/03/15
	£000	£000	£000	£000
Opening fair value of Scheme assets	28,455	31,745	-	-
Interest on assets	1,305	1,451	-	-
Return on assets less interest	1,250	3,001	-	-
Administration expenses	(5)	(15)	-	-
Contributions by employer including unfunded	1,426	1,687	17,977	-
Contributions by Scheme participants	511	570	3,601	-
Estimated benefits paid plus unfunded net of transfers in	(851)	(1,245)	(21,578)	-
Other actuarial gains/(losses)	(346)	-	-	-
Closing fair value of Scheme assets	31,745	37,194	-	-

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£150k).

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.

The actual return on scheme assets in the year was **£x,xxxk** (2013/14 £2,401k).

32.4 Scheme history

	31/03/11	31/03/12	31/03/13	31/03/14	31/03/15
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	23,159	24,517	28,455	31,745	37,194
Present Value of Defined Benefit Obligation	35,346	42,522	(47,485)	(48,459)	(59,099)
Surplus/(deficit) in the Scheme	58,505	67,039	(19,030)	(16,714)	(21,905)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£xxx.xm** (£638.9m 2013/14) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£xxx.xm**.

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 2016 is **£1.6m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2016 are **£x.xm**.

32.5 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	
	2013/14	2014/15	2013/14	2014/15
Long-term expected rate of return on assets in the scheme:				
Equity investments	6.7%	-	-	-
Government Bonds	3.6%	-	-	-
Other Bonds	4.2%	-	-	-
Property	5.7%	-	-	-
Cash	3.4%	-	-	-
Alternative Assets	4.2%	-	-	-
Mortality assumptions:				
<i>Longevity at 65 (60 for FF's) for future pensioners:</i>				
Men	24.9 years	25.1 years	29.7 years	.0
Women	27.4 years	27.6 years	32.2 years	.0
<i>Longevity at 65 (60 for FF's) for current pensioners:</i>				
Men	22.7 years	22.8 years	27.2 years	.0
Women	25.1 years	25.2 years	29.7 years	.0
Inflation/Pension Increase Rate	3.6%	3.2%	3.6%	.0
Salary Increase Rate	4.6%	4.1%	4.4%	.0
Rate of increase in pensions	2.8%	2.3%	2.8%	.0
Discount Rate	4.5%	3.3%	4.4%	.0
Take-up of option to convert annual pension into retirement lump sum:				
Service to April 2009	50%	50%	50%	.0
Service post April 2009	50%	50%	50%	.0

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 £000	Decrease in Assumption £000	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	2,138	2,289	0	0
Rate of increase in salaries (increase or decrease by 1%)	2,214	2,212	0	0
Rate of increase in pensions (increase or decrease by 1%)	2,260	2,167	0	0
Rate for discounting scheme liabilities (increase or decrease by 1%)	2,167	2,260	0	0

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	
	31/03/14 £000	31/03/15 £000
Equity investments	21,167	25,021
Bonds	5,054	5,194
Property	3,628	4,040
Cash	632	815
Alternative assets	1,264	2,124
	31,745	37,194

32.6 Pensions Reserve

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

	LGPS		Firefighters	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Opening balance:	19,030	16,714	636,597	590,444
Current service cost	1,757	1,848	15,616	-
Interest cost	2,130	2,170	25,736	-
Changes in assumptions	(2,006)	7,131	8,777	-
Experience loss/(gain) on defined benefit obligation	(567)	8	(78,305)	-
Past service cost, including curtailments	-	158	-	-
Contributions by employer including unfunded	(1,426)	(1,687)	(17,977)	-
Interest on assets	(1,305)	(1,451)	-	-
Return on assets less interest	(1,250)	(3,001)	-	-
Other actuarial gains/(losses)	346	-	-	-
Administration expenses	5	15	-	-
Balance at 31 March	16,714	21,905	590,444	590,444

33 Contingent Liabilities

The Pensions Ombudsman has determined, in the case of a retired firefighter, that the Government Actuary's Department owed a duty of care to pension fund members and should have reviewed the commutation factors used to determine the lump sum payable on retirement. As a result of this decision the Department for Communities and Local Government are determining whether the Authority should re-calculate these amounts for firefighters who retired between 2001 and 2006. Some 179 former firefighters could be affected by this decision with potential increases in the lump sums payable, interest charges and other associated costs. As no information on the potential change in commutation factors

is currently available, it is not possible to properly quantify the potential contingent liability to the Authority at this time.

34 Long Term Investments

The Authority owns the total share capital of EFA (Trading) Ltd. These investments are held in the balance sheet at cost.

35 Council Tax

The Authority now recognises as income the amounts due from each billing authority for Council Tax on an accruals basis. The tables below provide an analysis by billing authority of the amounts due from Council Tax payers, and the amounts due from or recoverable by billing authorities as a result of regulations.

The Council Tax figures for 2014/15 and 2013/14, respectively, are shown below:

2014/15					
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Council Tax Prepayments £000	Council Tax Arrears £000	Council Tax Bad Debt Provision £000
Basildon	16	(128)	(47)	246	(71)
Braintree	45	(36)	(58)	138	(45)
Brentwood	37	(47)	(21)	129	(61)
Castle Point	7	(10)	(26)	104	(68)
Chelmsford	70	(100)	(56)	186	(29)
Colchester	42	-	(111)	266	(155)
Epping Forest	52	(31)	(73)	177	(73)
Harlow	10	(76)	(35)	218	(107)
Maldon	20	(23)	(28)	71	(20)
Rochford	32	-	(21)	70	(51)
Southend	-	-	-	-	-
Tendring	32	(36)	(70)	172	(65)
Thurrock	-	(105)	(12)	115	(73)
Uttlesford	-	(72)	(22)	111	(59)
Total	363	(664)	(580)	2,003	(877)

2013/14					
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Council Tax Prepayments £000	Council Tax Arrears £000	Council Tax Bad Debt Provision £000
Basildon	67	(202)	(43)	276	(31)
Braintree	34	(45)	(47)	137	(45)
Brentwood	-	(130)	(17)	127	(66)
Castle Point	35	(10)	(25)	93	(57)
Chelmsford	56	(94)	(49)	167	(24)
Colchester	151	(1)	(118)	250	(131)
Epping Forest	33	(18)	(70)	201	(113)
Harlow	42	(78)	(34)	220	(109)
Maldon	21	-	(25)	71	(45)
Rochford	23	(1)	(21)	66	(44)
Southend	29	(70)	(35)	168	(64)
Tendring	57	(14)	(66)	150	(70)
Thurrock	95	(30)	(37)	125	(59)
Uttlesford	29	(31)	(19)	109	(58)
Total	672	(724)	(606)	2,160	(916)

36 Non Domestic Rates

The Local Government Finance Act 2012 introduced a new arrangement for the retention of business rates with effect from 1 April 2013. This scheme enables local authorities to retain a proportion of the business rates generated in their area. The tables below provide analysis, by billing authority, of these amounts for 2014/15 and 2013/14, respectively:

2014/15						
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Provision for Business Rates appeals £000	NDR Prepayments £000	NDR Arrears £000	NDR Bad Debt Provision £000
Basildon	107	-	(54)	(10)	20	(9)
Braintree	31	(17)	(36)	(4)	12	(3)
Brentwood	27	-	(23)	(6)	23	(10)
Castle Point	25	(22)	(26)	(1)	2	(2)
Chelmsford	105	(110)	(111)	(18)	32	(9)
Colchester	26	(26)	(44)	(8)	33	(8)
Epping Forest	33	(15)	(33)	(8)	11	(3)
Harlow	63	(1)	(70)	(7)	24	(10)
Maldon	7	(263)	(9)	(2)	7	(3)
Rochford	2	(12)	(2)	(1)	4	(3)
Southend	-	-	-	-	-	-
Tendring	22	(7)	(22)	(3)	4	(1)
Thurrock	142	(122)	(148)	(5)	14	(2)
Uttlesford	118	-	(92)	(4)	9	(4)
Total	708	(595)	(670)	(77)	195	(67)

2013/14						
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Provision for Business Rates appeals £000	NDR Prepayments £000	NDR Arrears £000	NDR Bad Debt Provision £000
Basildon	69	-	(69)	(6)	20	(9)
Braintree	12	(2)	(13)	(7)	13	(4)
Brentwood	7	(12)	(15)	(5)	21	(9)
Castle Point	5	(4)	(5)	(1)	3	(2)
Chelmsford	28	(38)	(27)	(18)	27	(10)
Colchester	32	-	(13)	(7)	6	(8)
Epping Forest	12	(10)	(15)	(3)	11	(5)
Harlow	-	(106)	43	(3)	18	(17)
Maldon	1	(1)	(3)	(3)	6	(2)
Rochford	3	(4)	(3)	(2)	5	(3)
Southend	23	-	(15)	(7)	19	(8)
Tendring	16	-	(9)	(5)	5	(1)
Thurrock	115	(83)	(130)	(6)	25	(5)
Uttlesford	67	(63)	(68)	(4)	9	(4)
Total	390	(323)	(342)	(77)	188	(87)

37 Premiums and Discounts

Premiums and discounts are paid or received on early redemption of borrowing. As at the 1 April 2014 the Authority had no outstanding premiums or discounts balances on its Balance Sheet and none as at 31 March 2015.

38 Financial Guarantees

The Authority has provided a letter of support in respect of EFA (Trading) Ltd.

39 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 2015

2013/14 £000	2014/15 £000
Contributions receivable	
from employer	
(5,591) normal contributions	(5,377)
(17) early retirements	(96)
(3,601) from members	(3,941)
Transfers in	
(12) individual transfers in from other schemes	(26)
Benefits payable	
14,692 pensions	15,311
2,852 commutations and lump sum retirement benefits	3,447
Payments to and on account of leavers	
347 individual transfers out to other schemes	57
Deficit for the year before top-up grant receivable from central government	9,375
(8,670) Top up grant payable by sponsoring department	(9,375)
- Net amount payable for the year	-

FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 MARCH 2015

2013/14 £000	2014/15 £000
Net current assets and liabilities	
(2,919) Top up receivable from sponsoring department	843
2,919 Amount owing to general Fund	(843)
-	-

NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

1 Background

From April 2006 the Government introduced new rules for the accounting arrangements for Firefighters' pensions. In addition a New Firefighters' Pensions Scheme (NFPS) was introduced for regular and retained firefighters employed with effect from 6th April 2006. Responsibility for policy on the pension schemes rests with the Department for Communities and Local Government. The administration and payment of individual pensions under the old and new 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 2015.

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 the CLG 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 the CLG 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 31 to the Authority's accounts.

There are no material changes to the Firefighters' Pension Fund Account as a result of transition to International Financial Reporting Standards.

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 examination 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 Borrowing

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

8 Budget

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

9 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.

10 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.

11 Capital programme

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

12 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.

13 CIPFA

The Chartered Institute of Public Finance and Accountancy.

14 Collection fund

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

15 Consistency

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

16 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.

17 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.

18 Corporate and democratic core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

19 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.

20 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.

21 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.

22 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.

23 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.

24 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.

25 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.

26 Equity

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

27 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.

28 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.

29 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.

30 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.

31 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.

32 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.

33 Impairment

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

34 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.

35 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.

36 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.

37 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.

38 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.

39 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.

40 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.

41 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.

42 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.

43 Net debt

The Authority's borrowings less cash and liquid resources.

44 Non distributed costs

These are overheads for which no user now benefits and as such are not apportioned to services

45 National non-domestic rates (NNDR)

The National 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.

46 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.

47 Operating lease

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

48 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.

49 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.

50 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.

51 Precept

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

52 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.

53 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.

54 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.

55 Rateable value

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

56 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.

57 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.

58 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.

59 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.

60 Residual value

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

61 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.

62 Revenue expenditure

The day-to-day expenses of providing services.

63 Revenue support grant

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

64 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.

65 Temporary borrowing

Money borrowed for a period of less than one year.

66 Useful economic life (UEL)

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

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Policy & Strategy
Committee**

AGENDA ITEM

6

MEETING DATE

24 June 2015

REPORT NUMBER

EFA/055/15

SUBJECT

Budget Review – May 2015

REPORT BY

The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper reports on expenditure against budget as at 31 May 2015 and identifies major variances to the budget for the period.

RECOMMENDATIONS

Members are asked to:

1. Note the review of income and expenditure against the budget; and
2. Note the actual position with capital expenditure;

BACKGROUND

This report reviews the actual expenditure against budget to 31 May 2015 for both revenue and capital expenditure. .

A summary of the net revenue expenditure for the two months to 31 May is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD
				Commitments £'000s
Firefighters	5,564	(170)	-3%	-
On-Call Fire-Fighters	542	27	5%	-
Control	205	(24)	-11%	-
Support Staff	1,864	141	8%	43
Total Employment Costs	8,174	(26)	0%	43
Support Costs	256	(64)	-20%	104
Premises & Equipment	1,621	(70)	-4%	530
Other Costs & Services	515	(37)	-7%	298
Ill health pension costs	328	(5)	-1%	-
Financing Items	301	(1)	0%	8
Operational income	(773)	(87)	13%	0
Contribution to/(from) Reserves	-	(60)	0%	-
Total Other Costs	2,249	(324)	-13%	940
Total Budget	10,423	(350)	-3%	983
Total Funding	(14,418)	-	0%	-
Funding Gap / (Surplus)	(3,995)	(350)		983

More detailed figures are provided at page 7.

STAFFING

Overall employments costs are £26K under budget for the 2 month to the end of May.

The underspend for, whole time fire-fighters is £170K (3%), this comprises lower headcount than budgeted for (c.£70K) and a reduction in employers pension contributions following the introduction of the new firefighters pension scheme from 1st April 2015 (£100K). The employers' contribution rates for the firefighters pension scheme were not announced until after the budget was finalised.

For on-call firefighters, spend is £27K above budget, whilst the introduction of the new firefighters pension scheme reduces the cost for whole-time firefighters the new employers contribution rates are higher for on-call firefighters, this accounts for an overspend of £18K.

The impact of the changed employers contribution rates for the firefighters pension scheme will result in lower contributions overall and therefore produce an underspending against budget in 2015-16. The impact of this will be assessed in conjunction with the pensions manager. A virement will then be proposed to transfer the expected underspend from the pensions on-cost budget to an "in year" reserve.

The £141K overspend on support staff pay is being reviewed with budget holders, the largest element relates to casual and temporary staff which is £78K overspent. A second factor (c. £30K) is the resourcing arrangements for project 2020, a virement to cover this has been proposed, once approved this will be reflected in the June Finance Report.

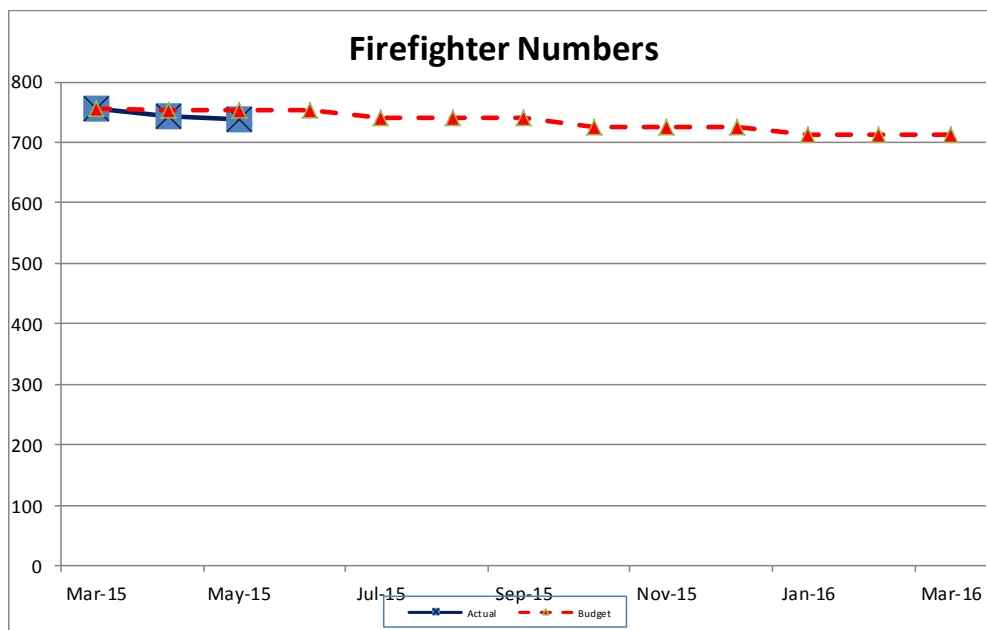
Whole-time fire-fighter numbers at 739 are 14 (2%) under budget at the end of May the main reason for this is a high number of retirements and leavers (14 in total) during April. There are no plans to recruit more whole-time fire-fighters at the current time. The staffing position at the end of May is summarised below (% figures rounded):

31 May 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	738.5	753.0	-14.5	-2%
On-Call Firefighters - Headcount	485.0	514.0	-29.0	-6%
Control - FTE	36.0	34.0	2.0	6%
Support Staff - FTE	260.6	262.0	-1.4	-1%
Total	1,520.1	1,563.0	-42.9	-3%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 385.5 fire-fighters against a maximum station requirement of 454.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 4 at the end of May; we have experienced higher retirement rates in the first two months of the year than anticipated in the budget. The number of fire-fighters over 50 with more than 25 years' service was 67 at the end of January

The graph below shows the numbers of whole-time fire-fighters compared to the budget for the month.



WATCH BASED FIREFIGHTERS

The numbers of Watch Based Fire-fighters compared to the target levels set by the Authority are shown below:

Date	Budgeted Rider Resource	Optimum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
30/04/2015	624	608	576	589.5	0.0	3.3
31/05/2015	624	608	576	584.5	0.0	3.0

Watch based numbers are below the optimum rider resilience level; this level will reduce when the final stage of the withdrawal of Rescue Tenders is completed in the late summer. Action, short of a strike by the Fire Brigades Union as part of the national dispute over pensions is preventing any additional shift working or voluntary overtime by firefighters. The additional shifts worked by on-call fire-fighters, mainly at Dunmow are reported as Full Time Equivalent (FTE) posts in the table above.

NON PAY RELATED EXPENDITURE

There are no significant variances to report for the 2 months to May.

CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 2 months to 31 May 2015 is shown in the table below.

Total capital expenditure is £5.4m, the largest item included is £3.7m for new appliances. The figure also includes £290K for Solar Panels and £312K for asset protection. The equipment spend and commitment of £500K includes Thermal imaging Cameras (£344K) and Heavy rescue equipment (£156K)

The investment of £339K in information technology relates to replacing the MIS system for Community Safety, the water section and Fleet Workshops.

	Original Budget 2015/16 £'000s	Approved Changes £'000s	Revised Budget - 18/3/15 £'000s	Total Spend including Commitments £'000s
Property				
New Premises				
Service Headquarters	-	-	-	110
Service Workshops	-	-	-	-
Other	-	-	-	-
Existing Premises				
Solar Panels	-	291	291	290
Asset Protection	2,170	-	2,170	312
Asset Improvement Works	-	-	-	-
Total Property	2,170	291	2,461	712
Equipment	736	639	1,375	500
Information Technology				
Projects > £250k	1,300	-	1,300	263
Projects < £250k	200	-	200	77
Total Information Technology	1,500	-	1,500	339
Vehicles				
New Appliances	3,161	1,221	4,382	3,688
Other Vehicles	608	243	851	164
Total Vehicles	3,769	1,464	5,233	3,852
Total Capital Expenditure	8,175	2,394	10,569	5,403

RISK MANAGEMENT IMPLICATIONS

The review of expenditure against the profiled budget is part of the overall financial control process of the Authority. In exceptional circumstances it allows for budget virements to ensure that underspending against budget heads can be utilised to fund expenditure against other priorities. If virements are not made there is a risk that the Authority will miss out on opportunities to improve performance and meet key objectives during the year. The Authority's reserves are at the upper end of their target range and the Authority is able to fund short term fluctuations in activity from them when necessary.

The review of the management accounts is one control measure to mitigate the risk of overspending the Authority's budget for the year.

LEGAL IMPLICATIONS

There are no direct legal implications within this report.

USE OF RESOURCES

There are no use of resources implications within this report

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report

EQUALITY IMPLICATIONS

There are no equality implications arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 – Expenditure compared to budget to 31 May 2015	
List of background documents (not attached):	
Proper Officer:	The Finance Director and Treasurer
Contact Officer:	The Finance Director and Treasurer, Mike Clayton Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

EXPENDITURE COMPARED TO BUDGET TO 31 MAY 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	5,564	(170)	-3%	-
On-Call Fire-Fighters	542	27	5%	-
Control	205	(24)	-11%	-
Support Staff	1,864	141	8%	43
Total Employment Costs	8,174	(26)	0%	43
Training	94	(10)	-10%	68
Employee Support Costs	105	(25)	-19%	29
Travel & Subsistence	57	(29)	-34%	7
Support Costs	256	(64)	-20%	104
Property Maintenance	310	(71)	-19%	192
Utilities	87	8	10%	1
Rent & Rates	251	12	5%	-
Equipment & Supplies	246	7	3%	66
Communications	214	2	1%	51
Information Systems	367	(1)	0%	177
Transport	146	(27)	-16%	42
Premises & Equipment	1,621	(70)	-4%	530
Establishment Expenses	163	(31)	-16%	32
Insurance	84	(1)	-2%	-
Professional Fees & Services	226	(4)	-2%	266
Democratic Representation	24	(2)	-9%	-
Agency Services	18	2	9%	-
Other Costs & Services	515	(37)	-7%	298
III Health Pension costs	328	(5)	-1%	-
Lease & Interest Charges	301	(1)	0%	8
Depreciation	-	-	0%	-
Asset management revenue account	-	-	0%	-
Statutory Provision for Capital Financing	-	-	0%	-
Voluntary Provision for Capital Financing	-	-	0%	-
Financing Items	301	(1)	0%	8
Operational income	(773)	(87)	13%	0
Contributions to/ (from) General Balances	-	(60)	0%	-
Total Net Financing Requirement	10,423	(350)	-3%	983
Revenue Support Grant	(6,422)	-	0%	-
National Non-Domestic Rates	(2,406)	-	0%	-
Council Tax Collection Account	(122)	-	0%	-
Council Tax	(5,467)	-	0%	-
Total Funding	(14,418)	-	0%	-

