ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service

Policy and Strategy Committee

AGENDA

09:30	Wednesday, 26 July 2017	Kelvedon Hq FF/38,

Quorum: 5

Membership

Councillor A Hedley	Chairman
Councillor A Holland	Vice-Chairman
Councillor B Aspinell	
Councillor D Blackwell	
Councillor J Chandler	
Councillor A Erskine	
Councillor C Kent	
Councillor M McEwen	
Councillor A Sheldon	
Councillor A Wood	

The Essex Police and Crime Commissioner, in his capacity as Chairman of the Emergency Services Collaboration Strategic Governance Board, is invited to attend meetings to offer strategic collaboration information in respect to agenda items.

For information about the meeting please ask for:
Fiona Lancaster (Committee Officer, Essex County Council)
033301 34573 / fiona.lancaster@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)

		Pages
1	**Apologies for Absence**	
2	**Declarations of Interest** To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct.	
3	**Minutes** To approve the minutes of the meeting held on 21 June 2017.	**5 - 10**

Decision Items

4	**Budget Review June 2017** To consider a report by the Finance Director and Treasurer (EFA/095/17).	**11 - 20**
5	**2016/17 Accounts** To consider a report by the Finance Director and Treasurer (EFA/096/17).	**21 - 132**
6	**Fleet Workshops** To consider a report by the Finance Director and Treasurer (EFA/097/17).	**133 - 134**

Information Items

7	**Date of Next Meeting** To note that the next meeting of the Committee will take place on Wednesday 11 October 2017, at 10.00 am. This is *provisional,* subject to the date of implementation of new joint governance arrangements for Police and Fire and Rescue.	

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 the meeting of the Essex Fire Policy & Strategy Committee, held on Wednesday, 21 June 2017

Present:

Councillor A Holland Vice-Chairman (Chairman at the meeting
Councillor D Blackwell
Councillor J Chandler
Councillor A Erskine
Councillor C Kent
Councillor M McEwen
Councillor A Wood

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer and Acting Chief Executive
Mike Clayton	Finance Director and Treasurer
Dave Bill	Director of Protection, Prevention and Response
Shirley Jarlett	Clerk and Monitoring Officer
Fiona Lancaster	Committee Officer (Essex County Council)

1 Apologies for Absence

Apologies for absence were received from Councillors A Hedley (Chairman), B Aspinell and A Sheldon.

Apologies were also noted from Mark Stagg, Director of Transformation.

2 Declarations of Interest

The Chairman reminded Members to declare any specific interests as appropriate throughout the meeting.

3 Minutes

The minutes of the meeting held on 15 March 2017 were agreed as a correct record and signed by the Vice-Chairman.

In response to a question from Councillor Kent regarding the Fleet Workshop Project, the Committee was advised that property meetings with Essex Police were ongoing and a report on the joint approach would be submitted for consideration by the Policy and Strategy Committee at its July meeting.

4 2016/17 Accounts and Governance Statement

The Committee considered report EFA/069/17 by the Acting Chief Fire Officer and the Finance Director and Treasurer which stated that, under The Accounts and Audit Regulations, the Fire Authority was required to approve an Annual Governance Statement, which may be included in the statement of accounts and published by 30 June. In addition, the Authority was required to publish unaudited accounts by 30 June. The report provided a review of the key governance arrangements and a summary of the key issues from the accounts for 2016/17.

The following points arose from consideration of the report:

- Members noted the intention to bring forward the audited accounts to the July Committee meeting so that the Authority was fully compliant with the new statutory auditing timetable a year in advance. The Finance Director and Treasurer paid tribute to Glenn McGuinness, Deputy Director of Finance, and his team for the achievement of those deadlines a year early.

- The Committee acknowledged the significant savings made from the use of £1.6m of past capital receipts (usable reserves) for Service changes, rather than the total amended budgeted sum of £3.8m.

- The Governance Statement had been reviewed by the Audit, Governance and Review Committee in April. The Committee had also reviewed the effectiveness of the arrangements for Internal Audit and the reviews carried out in the past year. Disappointment was expressed regarding the four areas where the Authority had failed to achieve Reasonable Assurance outcomes. The Finance Director and Treasurer reported that an early review of the HR function had been scheduled in 2017/18 to ensure that progress was on track. Further improvement was required in the areas of Risk Assurance and Business Continuity and work was already underway to embed compliance and ensure officers were documenting their plans.

- A key focus for 2017/18 would be the preparation for the implementation of the General Data Protection Regulation in May 2018. Initial work was underway and a sub-group of the Service Leadership established to lead the work required to achieve compliance.

- The Committee commented on the provision relating to the repayment of the pension liability debt to the Government, and noted that the Authority was still waiting to be invoiced by the Home Office. Members were reassured that the Authority had sufficient provision to pay when requested to do so.

- The Committee commended the Finance Director and Treasurer for the user-friendly style of the report.

Resolved:

1. That, following the review at the meeting, the Annual Governance Statement be agreed;

2. That the Review of Accounting Policies be agreed;

3. That the use of estimates in the Accounts be agreed;

4. That it be noted that the Finance Director and Treasurer has signed and dated the Accounts for 2016/17;

5. That the Vice-Chairman (acting on behalf of the Chairman) of the Authority and the Acting Chief Fire Officer be authorised to sign the Annual Governance Statement.

5 Budget Review May 2017

The Committee considered report EFA/070/17 by the Finance Director and Treasurer which reviewed expenditure against budget as at 31 May 2017 and identified major variances to the budget for the period.

The following points arose from the Committee's consideration of the report:

- The Committee noted that employment costs were marginally under budget as a result of whole time fire-fighter headcount being lower than budget, and the rate of leavers being higher than expected.

- The Finance Director and Treasurer explained the background to the proposed changes to the support staff headcount numbers, and the approach to provide greater clarity in roles for budget monitoring by separating the roles between service delivery, temporary project and support staff.

- Members noted that the conditions of service are different in the Grey and Green Books, but that these did not prevent staff from moving into different roles for career development.

- The Committee noted that the Authority did not pay pension contributions for agency staff.

- The overall turnover of On-call firefighters was a concern and retention levels had worsened. The Committee questioned whether the Authority had sufficient numbers to be able to cope with the demand on its services. In response, the Director of Protection, Prevention and Response commented that some locations were challenging for recruitment, but a new approach had worked well in Clacton. Unfortunately there had been no successful female candidates. A new flexible, lower

level of commitment was needed to open up the recruitment. A more flexible use of full time staff to support On-call firefighters during the day shifts was being introduced. It may be necessary to recruit whole-time firefighters in the future if the critical minimum target is reached. Members acknowledged that staff change jobs which could affect their availability to continue as On-call firefighters if employers were unwilling to release them.

- The Committee noted that Essex firefighters and their specialist resources had been on stand-by to help with the Grenfell Tower fire, but that they had not been called upon.

Resolved:

1. That the position on the Authority's income and expenditure at 31 May 2017 compared to the budget approved by Members be noted;

2. That the capital expenditure spend against budget for the period to 31 May 2017 be noted;

3. That the amendment to the support staff headcount numbers to reflect the additional posts in community safety and other departmental changes be approved; and

4. That the approach to be adopted to provide greater clarity in roles for budget monitoring going forward be noted.

6 Date of Next Meeting

It was noted that the next meeting of the Committee would take place on Wednesday 26 July 2017, at 10.00 am.

The Chairman indicated that the Committee Officer had been asked to explore the possibility of rescheduling the July meeting which now clashed with a Health Overview and Scrutiny Committee Induction day, and involved three Policy and Strategy Committee Members. The Committee indicated its support to move the start time to 9.30 am on 26 July, rather than to try to change the date. The Committee Officer undertook to email the Members out of meeting to confirm the new arrangements once finalised.

The Vice-Chairman, on behalf of the Committee, warmly congratulated the Acting Chief Fire Officer, Adam Eckley, on his recognition in the Queen's Birthday honours list 2017. In response, the Acting Chief Fire Officer indicated that he felt very honoured and privileged, and gave thanks to his team for helping to transform the Service's culture in a challenging period.

Signed……..
(Chairman)

Date……..

ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service

Meeting	**Policy and Strategy Committee**	Agenda Item	4
Meeting Date		Report Number	**EFA/095/17**
Report Author:	Mike Clayton, Finance Director & Treasurer		
Presented By	Mike Clayton, Finance Director & Treasurer		
Subject	**Budget Review June 2017**		
Type of Report:	This paper reports on expenditure against budget as at 30 June 2017 and identifies and comments on major budget variations. In addition, the report includes key indicators that act as lead indicators for expenditure across the Authority.		

RECOMMENDATIONS

Members are asked to:-

1. Note the position on income and expenditure at 30 June 2017 compared to the revised budget approved by the EFA on 15 February 2017.
2. Note the capital expenditure spend against budget for the period to 30 June 2017

BACKGROUND

This table below shows actual expenditure against budget to 30 June 2017.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	7,180	(187)	-3%	-
On Call Firefighters	1,113	(83)	-7%	-
Control	342	(3)	-1%	-
Support Staff	4,023	99	3%	14
Total Employment Costs	**12,658**	**(173)**	**-1%**	**14**
Support Costs	320	(118)	-27%	41
Premises & Equipment	2,405	(213)	-8%	994
Other Costs & Services	767	(150)	-16%	557
Ill health pension costs	676	49	8%	-
Financing Items	375	(13)	-3%	2
Operational income	(1,025)	11	-1%	0
Contribution to/(from) Reserves	17	-	0%	-
Total Other Costs	**3,535**	**(435)**	**-11%**	**1,594**
Total Budget	16,193	(609)	**-4%**	1,608
Total Funding	(18,700)	50	**0%**	-
Funding Gap / (Surplus)	(2,507)	(559)	**29%**	1,608

More detailed figures are provided at appendix 1

STAFFING

Overall employment costs are £173K (1.4%) under budget for the 3 months to 30 June 2017.

Spend for whole time fire-fighters is £187K (2.5%) under budget, this reflects headcount being lower than budget.

For on-call firefighters, spend is £83K (6.9%) under budget. This comprises two main elements, actual average headcount at 490 has been consistently below budget at 519 this year, this results in an underspend of c. £44K to June. Activity levels have decreased and are lower than budget, this accounts for an underspend of £39K to date.

Support staff pay is £99K (2.5%) over budget for the 3 month to 30 June. This comprised of an underspend of £13K on directly employed staff (there is further adjustments required to the Budget and Actuals to accommodate the Job Evaluation impact for the current reporting year), an overspend of £4K on Secondary Contract Staff and an overspend of £108K on casual and temporary staff.

Directly employed support staff full time equivalent (FTE) headcount was 263.4 at 30 June, this shows a net increase of 6.8 FTE or 2.7% since the beginning of the year. A further point worth highlighting is that we now have 12.6 (4.6%) vacancies against the budgeted establishment. There were also 32.5 Temporary Support Staff engaged to the end of June 2017. The temporary staff engaged in catering has been counted as being 3 as standard for each working day.

This takes the total Support Staff to 295.9 for June 2017 (10.4 FTE above Budgeted FTE 285.5).

Appendix 3 – Table Summary of Support Staff numbers for April 2017.

Whole-time fire-fighter numbers at 610.5 are 10.5 (2.6%) under phased budget at the end of June.

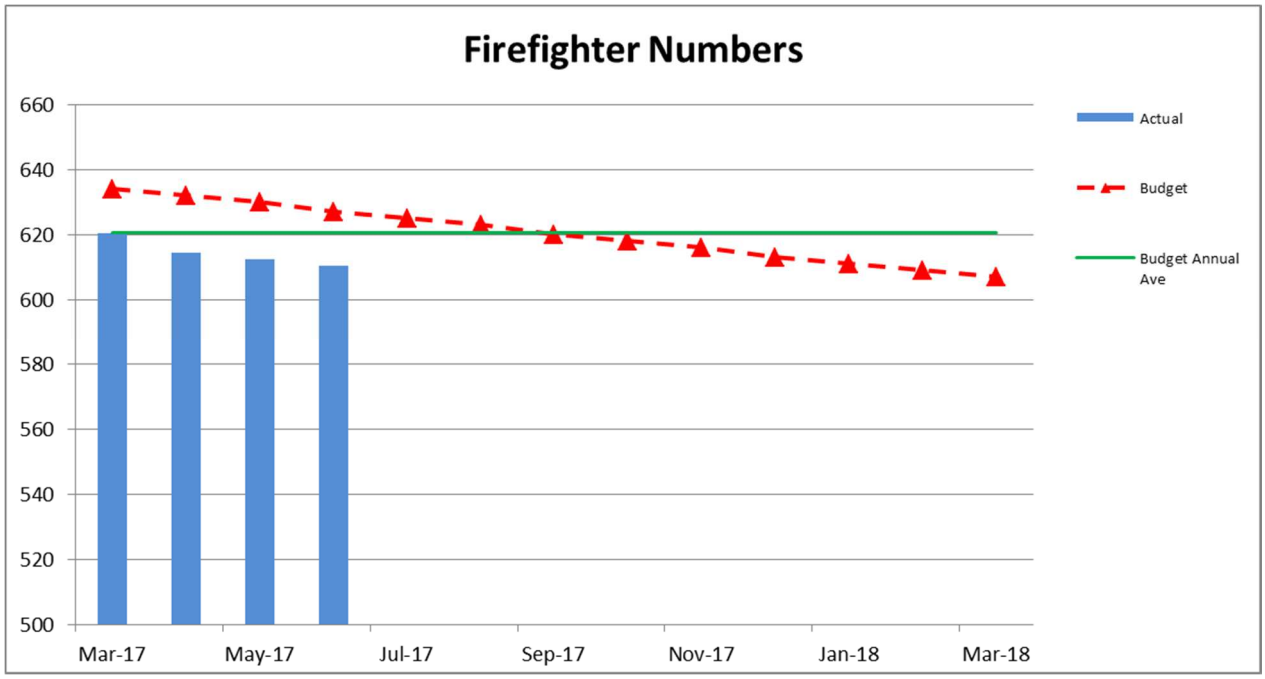
The staffing position at the end of June is summarised below (% figures rounded):

30 Jun 2017	Actual	Phased Budget	Variance	
Wholetime Firefighters - FTE	610.5	627.0	-16.5	-3%
On-Call Firefighters - Headcount	490.0	519.0	-29.0	-6%
Control - FTE	34.8	33.0	1.8	5%
Support Staff - FTE	263.4	276.0	-12.6	-5%
Total	1,398.7	1,455.0	-56.3	-4%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 393.5 fire-fighters.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 10 at the end of June. The number of fire-fighters aged over 50 with more than 25 years' service was 59 at the end of June.

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



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	OptJmum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/05/2017	524	500	476	477.0	0.0	0.0
30/06/2017	524	500	476	475.0	0.0	0.0

ON-CALL FIREFIGHTERS

Appendix 2 -On Call Firefighter nos. by Station

The table shows that we have a headcount of 490 firefighters at 30 June 2017 a net increase of 8.0 from the 482.0 at 1 April 2017.

NON-PAY RELATED EXPENDITURE

Non-pay expenditure is £446K underspent for the 3 month to 30 June; in addition operational income is £11K less than budget.

Support costs are £118K (27.8%), underspent for the 3 month to 30 June, the main areas of underspend are Employee Support Costs - £60K (35.3%); training - £32K (22.5%) underspent and travelling and subsistence - £26K (20.9%) underspent.

Premises and equipment is £213K (8.1%), underspent the main areas of underspend are IT Systems £166K (26.3%); Equipment and Supplies £62K (16.8%) and Utilities £26K (17.7%).

Other costs and services are £150K (16.4%) underspent.

CAPITAL EXPENDITURE

Capital expenditure to 30 June 2017 is shown in the table below.

Total capital expenditure is £2.9m, the largest item included is £2.2m for new appliances. The figure also includes £0.2m for asset protection and service workshops.

The investment of £115K in information technology relates to replacing the MIS system for Community Safety and Fleet Workshops and £151k for HOBS.

`	Original Budget 2017/18 £'000s	Approved Changes £'000s	Revised Budget £'000s	Total Spend including Commitments to end of June 2017 £'000s
Property				
New Premises				
Service Headquarters	-	-	-	-
Service Workshops	3,500	-	3,500	159
Other	-	-	-	-
Existing Premises				
Solar Panels	-	-	-	38
Asset Protection	2,500	-	2,500	232
Asset Improvement Works	-	-	-	31
Total Property	**6,000**	**-**	**6,000**	**461**
Equipment	**605**	**21**	**626**	**-**
Information Technology				
Projects > £250k	-	-	-	77
Projects < £250k	2,400	-	2,400	189
Total Information Technology	**2,400**	**-**	**2,400**	**265**
Vehicles				
New Appliances	2,060	-	2,060	2,096
Other Vehicles	825	-	825	88
Total Vehicles	**2,885**	**-**	**2,885**	**2,184**
Total Capital Expenditure	**11,890**	**21**	**11,911**	**2,910**

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 under spending 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 AND EQUALITIES IMPLICATIONS

There are no direct legal or equalities implications within this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents – including appendices, hardcopy or electronic including any relevant link/s.	
Appendix 1 Management Accounts – June 2017 Appendix 2 On Call Firefighter Headcount Numbers – June 2017 Appendix 3 Support Staff and Agency Temp Numbers	
Proper Officer:	Finance Director & Treasurer
Contact Officer:	Mike Clayton Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576109 Mike.clayton@essex-fire.gov.uk

Appendix 1

MANAGEMENT ACCOUNTS – June 2017

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	7,180	(187)	-2.5%	-
On-Call Fire-Fighters	1,113	(83)	-6.9%	-
Control	342	(3)	-0.8%	-
Support Staff	4,023	99	2.5%	14
Total Employment Costs	**12,658**	**(173)**	**-1.4%**	**14**
Training	111	(32)	-22.5%	15
Employee Support Costs	109	(60)	-35.3%	22
Travel & Subsistence	99	(26)	-20.9%	4
Support Costs	**320**	**(118)**	**-27.0%**	**41**
Property Maintenance	595	55	10.3%	588
Utilities	121	(26)	-17.7%	0
Rent & Rates	358	12	3.5%	-
Equipment & Supplies	307	(62)	-16.8%	88
Communications	337	(15)	-4.3%	194
Information Systems	465	(166)	-26.3%	100
Transport	222	(12)	-5.0%	24
Premises & Equipment	**2,405**	**(213)**	**-8.1%**	**994**
Establishment Expenses	231	(45)	-16.2%	209
Insurance	135	(7)	-5.2%	-
Professional Fees & Services	333	(92)	-21.7%	349
Democratic Representation	29	(7)	-20.6%	-
Agency Services	39	1	3.9%	-
Other Costs & Services	**767**	**(150)**	**-16.4%**	**557**
Ill Health Pension costs	**676**	**49**	**7.7%**	**-**
Lease & Interest Charges	375	(13)	-3.4%	2
Financing Items	**375**	**(13)**	**-3.4%**	**2**
Operational income	(1,025)	11	-1.0%	0
Contributions to/ (from) General Balances	17	-	0.0%	-
Total Net Financing Requirement	**16,193**	**(609)**	**-3.6%**	**1,608**
Revenue Support Grant	(5,015)	-	0.0%	-
National Non-Domestic Rates	(3,950)	(0)	-100.0%	-
Council Tax Collection Account	(193)	-	0.0%	-
Council Tax	(9,541)	50	0.0%	-
Total Funding	**(18,700)**	**50**	**0.0%**	**-**

Appendix 2

ON CALL FIREFIGHTER HEADCOUNT NUMBERS

Station	Actual For End of Jun 2017	Movement since 01 Apr 2017	Joiners since 01 Apr 2017	Leavers since 01 Apr 2017	Transfers In since 01 Apr 2017	Transfers Out since 01 Apr 2017
Billericay	13	0	0	0	0	0
Braintree	21	0	1	(1)	0	0
Brentwood	17	2	1	0	1	0
Brightlingsea	11	(1)	0	(1)	0	0
Burnham	11	0	0	0	0	0
Canvey Island	17	0	0	0	0	0
Clacton	19	19	19	0	0	0
Coggeshall	12	0	0	0	0	0
Corringham	11	0	1	(1)	0	0
Dovercourt	12	0	0	0	0	0
Dunmow	18	1	1	0	0	0
Epping	15	1	1	0	0	0
Frinton	14	(1)	0	(1)	0	0
Halstead	19	(1)	0	(2)	1	0
Hawkwell	14	0	0	0	0	0
Ingatestone	10	(1)	1	(1)	0	(1)
Leaden Roding	7	0	0	0	0	0
Maldon	20	(1)	0	(1)	0	0
Manningtree	15	1	1	0	0	0
Newport	10	0	0	0	0	0
Old Harlow	12	0	1	(1)	0	0
Ongar	9	2	2	0	0	0
Rochford	11	(1)	0	(1)	0	0
Saffron Walden	20	(1)	0	(1)	0	0
Shoeburyness	10	(2)	0	(2)	0	0
Sible Hedingham	6	(3)	0	(2)	0	(1)
Stansted	15	(1)	1	(2)	0	0
Thaxted	7	0	0	0	0	0
Tillingham	10	0	0	0	0	0
Tiptree	12	(1)	0	(1)	0	0
Tollesbury	11	0	0	0	0	0
Weeley	15	0	0	0	0	0
West Mersea	11	(1)	1	(2)	0	0
Wethersfield	10	0	0	0	0	0
Wickford	13	0	0	0	0	0
Witham	21	(1)	0	(1)	0	0
Wivenhoe	11	(2)	0	(2)	0	0
Grand Total	**490**	**8**	**31**	**(23)**	**2**	**(2)**

Appendix 3

SUPPORT STAFF & TEMP/AGENCY NUMBERS

Support Staff and Agency/Temps Analysis
Revised - June 2017

Actual Support Staff and Agency Temps
30 June 2017

			Actual Support Staff and Agency Temps as at 30 June 2017			
Staff Changes by Department	Director	Total FTE Budget - Support Staff Revised June 2017	Current Support Staff (as per HR Report)	Temps/ Agency Staff	Total FTE for Support Staff	Current Support Staff FTE Below / (Above) Original Budget
Service Leadership Team	Adam Eckley	5.8	6.2	1.4	7.6	(1.8)
Corporate Comms	Adam Eckley	5.0	5.0	0.0	5.0	0.0
Emergency Planning (ECC)	Adam Eckley	10.8	9.8	0.0	9.8	1.0
Project 2020	Adam Eckley	12.0	11.9	1.0	12.9	(0.9)
Total Adam Eckley		**33.6**	**32.9**	**2.4**	**35.3**	**(1.7)**
Safer Communities Admin (8300)	Dave Bill	19.7	10.7	6.0	16.7	3.0
Operations & Control	Dave Bill	4.6	3.6	2.0	5.6	(1.0)
Community Safety	Dave Bill	27.6	30.6	0.0	30.6	(3.0)
Workplace Fire Safety	Dave Bill	10.6	15.9	1.0	16.9	(6.3)
Health & Safety	Dave Bill	4.0	3.0	0.0	3.0	1.0
Total Dave Bill		**66.5**	**53.1**	**9.0**	**56.1**	**(6.3)**
Performance & Data Management	Mark Stagg	10.8	8.7	0.0	8.7	2.1
Training	Mark Stagg	14.9	14.3	1.0	15.3	(0.4)
Human Resources	Mark Stagg	29.7	30.4	0.6	31.0	(1.3)
Total Mark Stagg		**55.4**	**53.3**	**1.6**	**54.9**	**0.5**
Fleet & Equipment	Mike Clayton	42.3	40.3	0.0	40.3	2.0
Finance & Pay	Mike Clayton	13.0	13.8	0.0	13.8	(0.8)
Purchase & Supply,(9401,9404)	Mike Clayton	13.9	11.8	4.5	16.3	(2.4)
Property & Water Services	Mike Clayton	26.2	17.2	8.0	25.2	1.0
Information Communications Technology	Mike Clayton	28.1	20.1	4.0	24.1	4.0
Other Dept (9208,9209) & Seconded Posts	Mike Clayton	6.5	5.5	0.0	5.5	1.0
Total Mike Clayton		**130.0**	**108.7**	**16.5**	**125.2**	**4.8**
Total		**285.5**	**258.7**	**29.5**	**288.2**	**(2.7)**

Total Support Staff FTE requested by Budget Holders		**285.5**				**288.2**
SLT 2017-18 Budget Target FTE for Support Staff		**285.5**				**285.5**
Total FTE above/below SLT Budget Target of 285.5		**0,0.0**				**2.7**
Percentage Budget Holders Total Support Staff FTE above the SLT Budget Target		**0.0%**				**-0.9%**

Total Support Staff and Agency Temps including Community Safety staff funded by designated fund/budget

Depts.- Manual Adjustment applied to Support Staff FTE and Temp/Agency staff			Current Support Staff (as per HR Report)	Temps/Agency Staff	Total FTE for Support Staff	Current Support Staff FTE Below / (Above) Original Budget
Community Safety			4.7	3.0	7.7	(10.7)
Total			**263.4**	**32.5**	**295.9**	**(13.4)**

Note:-
1. In addition to headcount target above :
a) £400K Community Safety - FTE counted for Analysis is a max 30.6
b) £360K secondary contracts

ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service

MEETING	**Policy and Strategy Committee**	AGENDA ITEM	5
MEETING DATE	26 July 2017	REPORT NUMBER	**EFA/096/17**
SUBJECT	**2016/17 Accounts**		
REPORT BY	The Finance Director & Treasurer, Mike Clayton		
PRESENTED BY	The Finance Director & Treasurer, Mike Clayton		

SUMMARY

Under the Accounts and Audit Regulations 2015, Members of the Fire Authority must approve the Statement of Accounts and publish them by 30 September. This paper provides a summary of the key issues from the audit of the accounts.

RECOMMENDATIONS

Members of the Policy & Strategy Committee are asked to:

- Note the Auditors Report;
- Review and agree the unadjusted audit errors found;
- Approve the Statement of Accounts;
- Agree the amended Governance Statement; and
- Agree the letter of Representation and authorise the Chairman to sign it on the Committee's behalf.

BACKGROUND

Members approved the Annual Governance Statement in June and this was included in the draft accounts that were published at that time and is included in the Statement of Accounts at Appendix 1. Since then a small change has been made to the wording and so agreement to the revised version is sought.

Appendix 2 includes the Auditors report on the accounts – this will be presented at the meeting.

CHANGES TO THE ACCOUNTS

No material changes to the draft accounts have been made.

UNADJUSTED ERRORS & LETTER OF REPRESENTATION

The Auditors report will bring forward any unadjusted errors that they have identified. The letter of representation includes reference to these "unadjusted errors" and will be circulated at the meeting.

RISK ANALYSIS

The results of the Auditor's review have been reported to the Committee in their Annual Governance Report.

LEGAL IMPLICATIONS

The Authority must approve and publish accounts by 30 September, after completion of the review by our auditors. The approval and publishing of the accounts by 31 July means that the deadlines that will apply for the 2017/18 accounts have been met a year early.

FINANCIAL IMPLICATIONS

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

USE OF RESOURCES

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

ENVIRONMENTAL IMPLICATIONS

There are no environmental Implications from approval of the Authority's accounts.

EQUALITY IMPLICATIONS

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

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
Appendices; Appendix 1 - 2016/17 Statement of Accounts Appendix 2 – Auditors report on the Accounts	
Proper Officer:	Finance Director & Treasurer
Contact Officer:	Mike Clayton, Essex Fire Authority, Kelvedon Park, Witham CM8 3HB. 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

ESSEX FIRE AUTHORITY

2016/17 ACCOUNTS

26 July 2017

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NARRATIVE REPORT

BY THE FINANCE DIRECTOR & TREASURER

1 Introduction

The Authority's financial performance for the year ended 31 March 2017 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 2016/17. It is the purpose of this report 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 2016/17 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 2016/17 comprise:

2.1 Comprehensive Income and Expenditure Statement

This statement, as set out on page 28, 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.

2.2 Movement in Reserves Statement

This Statement, as set out on page 30, 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.

2.3 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 **£116.0m** of long term assets, mainly comprising fire stations, offices, workshops and fire appliances. These are funded by **£28.0m** of long term loans. The Authority's general reserve stood at **£6.8m** and the earmarked reserves increased by **£0.1m** to **£5.5m**.

2.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 31, 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 60 summarises the Firefighters' Pension Fund financial transactions for the year.

During the year 78 wholetime firefighters retired from the Service. As a result the payment of lump sums was **£6.4m** in 2016/17 compared to **£3.6m** in 2015/16. The amount due from the Department for Communities and Local Government was **£5.4m** at 31 March 2017.

3.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 60 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 2016/17 the Authority's total planned net expenditure was **£71.3m.** The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

Just over half (58%) of the net expenditure of the Authority is funded by Council Tax, payable by householders in Essex, Southend-on-Sea and Thurrock. The balance of funding is provided by central government, through a share of non-domestic rates and revenue support grant. Specific grants provided by the government, for example to support the Authority's Urban Search and Rescue unit are included in operational income.

2016/17 Net Revenue Expenditure	Latest Approved Budget £000	Actual Expenditure £000	Variance overspend/ (underspend) £000
Firefighters	30,963	30,560	(403)
Firefighters - Retained Duty System	5,349	5,612	263
Control staff	1,365	1,272	(93)
Support staff	12,381	12,474	93
Total Employment Costs	**50,058**	**49,918**	**(140)**
Support costs	5,005	4,590	(415)
Premises & Equipment	10,529	9,394	(1,135)
Other costs & services	3,736	4,070	334
Ill health pension costs	2,097	2,201	104
Statutory provision for Capital Financing	5,944	3,623	(2,321)
Financing items	1,641	1,506	(135)
Contribution to/(from) Reserves	(3,812)	-	3,812
Total Other Costs	**25,140**	**25,384**	**244**
Total Gross Expenditure	**75,198**	**75,302**	**104**
Operational Income	(3,894)	(3,993)	(99)
Total net expenditure outturn	**71,304**	**71,309**	**5**

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

Overall employment costs were **£0.1m** (0.3%) under budget for the year.

The Authority continued to operate a freeze on the recruitment of full time firefighters during the year. In addition, as part of the restructuring plans, early exit packages were offered to eligible employees. The cost of this was **£2.9m**, further details are included in Note 30 to the accounts.

The underspending on the statutory provision for capital financing is mainly as a result of releasing a specific capital receipt reserve of **£1.6m**.

5 Capital expenditure

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

2016/17	Approved Capital Expenditure £000	Actual Capital Expenditure £000	Variance overspent / (underspent) £000
Property	3,300	1,536	(1,764)
Vehicles	3,222	3,254	32
Information Systems & Equipment	2,014	579	(1,434)
Total capital payments	**8,536**	**5,369**	**(3,167)**
Internal Resources	8,536	5,369	(3,167)
Total capital funding	**8,536**	**5,369**	**(3,167)**

We invested **£1.5m** in our property portfolio mainly on fire stations and training facilities. In addition there was spend of **£0.6m** on ICT and operational equipment and **£3.3m** on vehicles.

At 31 March 2017 the Authority had capital expenditure commitments of **£2.4m**.

6 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Finance Director & Treasurer on 26 July 2017. There are no events after 31 March 2017 that need to be reflected in the financial statements or notes.

7 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 **£1.5m**, leaving the total loans at year end at **£28.0m.** These are all provided by the Public Works Loans Board. There was no new borrowing in the year.

The Authority had set a limit of **£42.4m** for external debt in the year.

8 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 2017.

9 Risk Protection

Until 31 October 2015 insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Essex, are now members of the Fire and Rescue Indemnity Company Ltd. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of **£521k** to the company for the year to 31 October 2017 with **£217k** of this treated as an expense in 2016/17.

10 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 2016/17.

11 Financial Reporting Manual (FReM)

The Code of Practice for Local Authority Accounting encourages authorities to prepare the narrative report taking into consideration the provisions of paragraphs 5.2.1 to 5.2.10 of the

2016/17 Government's 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.

12 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 2017/18 was approved by the Fire Authority in February 2017 and reflects a reduction in the total budget from **£71.3m** (2016/17) to **£70.1m** (2017/18).

The budget for 2017/18 is available at: http://www.essex-fire.gov.uk/documents/Fire_Authority_Budget/

The Authority has considered options for the future in the context of a decrease in the number of incidents of 45% since 2004/05 and further planned reductions in central government funding of **£8m** by 2020.

Members of the Fire Authority considered these options at a meeting on 8 June 2016 and agreed future service changes that will now form the basis of the direction of the Service up to 2020. These service changes were incorporated into a revised medium term efficiency plan and approved by the Fire Authority on 7th September 2016.

13 Risks and uncertainties

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

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

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

14 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/

15 Employees

As at 31 March 2017 the Authority employs 1,392 people comprising 621 wholetime and 482 retained firefighters, 33 control staff and 256 support staff. We aim to ensure that our employment policies reflect best practice.

Following a number of incidents, some serious, and ongoing protracted industrial disputes the Authority decided to take decisive action and approached Irene Lucas CBE to carry out a formal inquiry into the Service culture. As a result the Independent Cultural Review of Essex County Fire and Rescue Service was published and shared with Authority Members on 2 September 2015. Progress against the recommendations made in the Lucas review has been monitored by members.

The latest update is available under item 15 at: Meetings and Events

16 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. Performance for 2015/16 was reported to the Fire Authority in June 2016 and papers are available at: http://cmis.essexcc.gov.uk/essexcmis5/CalendarofMeetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3298/Committee/73/SelectedTab/Documents/Default.aspx

17 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

18 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, Shirley Jarlett, Essex Legal Services, Tel: 03330 139715, e-mail: shirley.jarlett@essex.gov.uk.

19 The governance role of the Fire Authority

The Police and Crime Commissioner for Essex has submitted a business case to the Home Secretary to replace the governance role of the Fire Authority. The Business Case received the support of the three upper tier local authorities. It is expected that the governance change will support closer collaboration between Essex Police and Essex County Fire and Rescue Service.

20 Glossary

A glossary of accounting terms is provided on pages 62 to 68 to assist the reader.

21 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
26 July 2017

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.

I certify that these accounts were considered and approved by the Policy and Strategy Committee at the meeting held on 26 July 2017.

On behalf of Essex Fire Authority
Councillor Hedley, Chairman of the Policy and Strategy Committee
26 July 2017

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 2017 and its income and expenditure for the year ended 31 March 2017.

Mike Clayton
Finance Director and Treasurer to the Fire Authority
26 July 2017

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 (CIPFA) 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 2017 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. The opinion from the Internal Auditor states "The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective." The provision of Internal Audit Services is through a contract with RSM UK Group LLP. The Authority is able to take substantial assurance from the budgetary 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. In addition, in 2016/17, there was an independent report from Sir Ken Knight assessing the progress made following the review of the Authority's culture by Irene Lucas in 2015. In addition the members of the Expert Advisory Panel appointed by the Authority in 2015 were used to support the Authority during 2016/17.

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". Internal Audit reports on the key area of financial controls confirm that they provide substantial assurance to the Authority.

Significant Governance Issues

In September 2015 Members received a report from Irene Lucas that included ten recommendations related to the governance of the Authority. In October 2015 the Authority accepted the recommendations and agreed the appointment of an Advisory Panel, chaired by Steve McGuirk a former Chief Fire Officer, to support Members and Officers in the implementation of actions to address the recommendations made. The Advisory Panel met with lead Members and Officers during the year and provided additional specialist support around a number of key areas including a management review, discipline and grievance matters, employee relations and staff engagement. In addition, external support through the Society of Local Authority Chief Executives has been used to help strengthen the role of Members in the governance of the Authority.

In September 2016 the Authority received a report from Sir Ken Knight reviewing the progress made in the first year after the Lucas report. In his report, Sir Ken stated *"I am satisfied that Essex Fire Authority (the Authority) and Essex County Fire and Rescue Service (the Service)*

have taken, and are continuing to take, appropriate early actions to deliver against the Lucas Review recommendations. Appropriate consideration has been given to the fundamental issues and the Authority is on track to deliver against the recommendations in a timely manner."

A number of areas were identified in the 2015/16 governance statement for further development. The most significant areas and the actions undertaken are summarised below:

Area	**Actions undertaken**
Completion of the action plan to address the recommendations in the Lucas report	The Authority commissioned Sir Ken Knight to conduct an interim review of progress and the results of this review were reported to the Authority in September 2016. In March 2017 the Service Leadership Team published a self-assessment of progress against the Lucas recommendations and in April 2017 the Expert Advisory Panel reported on progress. A final review by Sir Ken Knight is planned for the Summer of 2017.
The continued development of assurance around risk management	The Authority's risk register was reviewed by the Policy & Strategy Committee in November 2016 and by the Audit, Governance and Review Committee in January 2017. The full Authority considered the risk register in February 2017. A further internal audit review concluded that the Authority could place partial assurance on the risk management controls.

For 2017/18 the main focus remains the completion of the action plan to address the recommendations in the Lucas report, and weaknesses identified within the partial and no assurance opinions found during the 2016/17 in the areas of HR Transactional Processes, Risk Management, Business Continuity and HR Training and Development. A further focus for the Authority will be the preparation for the implementation of the General Data Protection Regulation in May 2018. Initial work to undertake a gap analysis has commenced and a sub-group of the Service Leadership Team established to lead the work required to ensure that the Authority will be compliant.

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. Internal Audit reports covering key areas consistently report reasonable or substantial assurance around all areas of controls for expenditure and the use of resources. There were no materially significant internal control issues identified during the year.

Signed: _____ Chairman, Essex Fire Authority

Signed: _____ Acting Chief Fire Officer

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

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STATEMENT OF ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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.

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. The Authority will, however, use capital receipts and/or make a contribution from revenue towards the reduction in its overall borrowing requirement

equal to an amount calculated in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution to capital financing in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 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.

10 Property Plant and Equipment

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

10.1 Recognition

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

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

10.2 Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its 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.

10.3 Impairment

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

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

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

10.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Deprecation 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.

10.5 Statutory charge for capital financing

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

10.6 Disposals and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Amounts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

11 Operating Leases

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

12 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out costing formula.

Stock values are reduced by provisions for redundant and slow moving stocks.

13 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

14 Employee Benefits

14.1 Benefits Payable During Employment

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

14.2 Termination benefits

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

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

14.3 Post-employment benefits

The Authority participates in three different pension schemes:

14.4 Local Government Pension Scheme

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

The LGPS is accounted for as a defined benefits scheme

- The liabilities of the LGPS pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond.

The assets of the LGPS pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The movement on the pensions asset/liability is analysed into the following constituents:

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

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

Remeasurements of the net defined benefit liability (asset) comprising:

- Actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from : a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions.
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

Contributions by scheme participants – the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

Contributions by the employer – the increase in scheme assets due to payments made into the scheme by the employer.

Benefits paid – payments to discharge liabilities directly to pensioners.

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

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

14.5 Firefighters' pension schemes

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

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

14.6 Retained firefighters' pension scheme

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

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

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

15 Financial Instruments

15.1 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.

15.2 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.

15.3 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.

15.4 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).

16 Value added tax (VAT)

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

ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

AS AT 31 MARCH 2017

2015/16 Net £000 Restated		2016/17 Net £000
	Expenditure	
33,668	Firefighters	29,176
5,500	Firefighters - Retained Duty System	5,612
1,277	Control staff	1,272
11,896	Support staff	13,387
52,341	**Total Employment Costs**	**49,447**
2,932	Support costs	4,590
10,181	Premises & Equipment	9,394
4,241	Other costs & services	4,070
3,257	Depreciation, amortisation, impairment	2,241
250	Financing items	181
165	Contribution to/(from) Reserves	-
21,026	**Total Other Costs**	**20,476**
73,367	**Gross Expenditure**	**69,923**
	Income	
(4,860)	Operational Income	(3,918)
68,507	**Provision of Fire Services**	**66,005**
(14)	(Gain) or loss on Disposal of Fixed Assets	(147)
18	Pension administration costs	16
	Financing and Investment Income and Expenditure	
1,492	Interest payable on debt	1,325
23,040	Net interest on the net defined benefit liability (asset)	24,612
(98)	Investment interest income	(75)
	Taxation and Non-Specific Grant Income	
(16,303)	Revenue Support Grant	(14,234)
(15,053)	National Non-Domestic Rates	(15,369)
(40,364)	Council Tax & NDR deficit	(41,712)
21,225	**(Surplus) or Deficit on Provision of Services**	**20,421**
(7,969)	(Surplus) or deficit on revaluation of non current assets	(3,609)
(37,312)	Remeasurements of the net defined benefit liability (asset)	149,913
(45,281)	**Other Comprehensive Income and Expenditure**	**146,304**
(24,056)	**Total Comprehensive Income and Expenditure**	**166,725**

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 2016	**6,859**	**5,354**	**-**	**-**	**12,213**	**(614,260)**	**(602,047)**
Movement in reserves during the year							
Total Comprehensive Income & Expenditure	**(20,421)**	**-**	**-**	**-**	**(20,421)**	**(146,304)**	**(166,725)**
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 8)	20,421	-	-	7,025	**27,446**	(27,446)	**-**
Transfers to or (from) earmarked reserves	(105)	105	-	-	**-**	-	**-**
Increase (Decrease) in Year	**(105)**	**105**	**-**	**7,025**	**7,025**	**(173,750)**	**(166,725)**
Balance at 31 March 2017	**6,754**	**5,459**	**-**	**7,025**	**19,238**	**(788,010)**	**(768,772)**

	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 2015	**3,742**	**7,843**	**-**	**2,020**	**13,605**	**(639,708)**	**(626,103)**
Movement in reserves during the year							
Total Comprehensive Income & Expenditure	**(21,225)**	**-**	**-**	**-**	**(21,225)**	**45,281**	**24,056**
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 8)	21,853		-	(2,020)	**19,833**	(19,833)	**-**
Transfers to or (from) earmarked reserves	2,489	(2,489)	-	-	**-**	-	**-**
Increase (Decrease) in Year	**3,117**	**(2,489)**	**-**	**(2,020)**	**(1,392)**	**25,448**	**24,056**
Balance at 31 March 2016	**6,859**	**5,354**	**-**	**-**	**12,213**	**(614,260)**	**(602,047)**

BALANCE SHEET

AS AT 31 MARCH 2017

31 March 2016 £000		Notes	31 March 2017 £000
	Property, Plant & Equipment	10	
95,366	Land and Buildings		101,205
12,640	Vehicles, plant and equipment		13,556
1,101	Fixed assets under construction		1,053
-	Surplus Assets		-
168	**Long Term Investments**	32	168
109,275	**Long Term Assets**		**115,982**
595	Inventories	13	584
6,834	Short Term Debtors	14	11,063
16,189	Cash and Cash Equivalents	15	17,210
8,426	Assets held for sale	16	-
32,044	**Current Assets**		**28,857**
(1,763)	Short Term Borrowing		(258)
(19,965)	Short Term Creditors	17	(19,064)
(292)	Grants Receipts in advance	18	(1,482)
(22,020)	**Current Liabilities**		**(20,804)**
(28,000)	Long Term Borrowing	12	(28,000)
(1,256)	Provisions	19	(848)
(692,090)	Other Long Term Liabilities	31	(863,959)
(721,346)	**Long Term Liabilities**		**(892,807)**
(602,047)	**Net Liabilities**		**(768,772)**
	Usable Reserves		
6,859	General Fund		6,754
5,354	Earmarked General Fund Reserves		5,459
-	Capital Grants Unapplied		-
-	Capital Receipts Reserve		7,025
12,213	**Usable reserves**	20	**19,238**
	Unusable Reserves		
18,408	Revaluation Reserve		15,616
60,120	Capital Adjustment Account		61,025
(487)	Holiday Pay Account		(487)
(211)	Collection Fund Adjustment Account		(205)
(692,090)	Pension Reserve		(863,959)
(614,260)	**Unusable Reserves**	21	**(788,010)**
(602,047)	**Total Reserves**		**(768,772)**

These financial statements replace the unaudited financial statements certified by Mike Clayton on 31 May 2017.

Mike Clayton
Finance Director and Treasurer to the Fire Authority
Authorised for issue date: 26 July 2017

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

2015/16 £000	Note		2016/17 £000
21,225		**Net (surplus) or deficit on the provision of services**	**20,421**
(21,937)	**22**	**Adjustment to surplus or deficit on the provision of services for non-cash movements**	(19,475)
		Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(14)		Proceeds from the sale of assets	(8,604)
(726)		**Net cash flows from operating activities**	**(7,658)**
		Net cash outflows from investing activities	
6,094		Purchase of assets	5,137
4,000		**Net cash outflows from financing activities**	1,500
9,368		**Net (increase)/decrease in cash and cash equivalents**	**(1,021)**
(25,557)		Cash and cash equivalents at the beginning of the reporting period	**(16,189)**
(16,189)		**Cash and cash equivalents at the end of the reporting period**	**(17,210)**

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 2016/17.

1 Expenditure and Funding Analysis

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

2015/16				2016/17		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		**Net Expenditure chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	£000	£000		**£000**	**£000**	**£000**
65,414	**3,093**	**68,507**	**Provision of Fire Services**	**63,764**	**2,241**	**66,005**
(66,042)	18,760	(47,282)	Other Income and Expenditure	(63,764)	18,180	(45,584)
(628)	**21,853**	**21,225**	**(Surplus)/Deficit on Provision of Services**	**-**	**20,421**	**20,421**
(11,585)			Opening General Fund Reserves	(12,213)		
(628)			Less/Plus Surplus or (Deficit) on General Fund in Year	-		
(12,213)			**Closing General Fund Reserves**	**(12,213)**		

1.1 Note to the Expenditure and Funding Analysis

The tables below provides analysis of the Adjustments between Funding and Accounting Basis for 2016/17 and 2015/16 respectively.

Adjustments from General Fund to arrive at the Comprehensive Income and Expendtiure Statement amounts	**Adjustments for Capital Purposes**	**Net change for Pensions adjustments**	**Other differences**	**Total Adjustments**
2016/17	**£000**	**£000**	**£000**	**£000**
Provision of Fire Services	**2,241**	**-**	**-**	**2,241**
Other Income and Expenditure from the Funding Analysis	(3,770)	21,956	(6)	18,180
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**(1,529)**	**21,956**	**(6)**	**20,421**

Adjustments from General Fund to arrive at the Comprehensive Income and Expendtiure Statement amounts 2015/16	Adjustments for Capital Purposes £000	Net change for Pensions adjustments £000	Other differences £000	Total Adjustments £000
Provision of Fire Services	**3,256**	**-**	**(163)**	**3,093**
Other Income and Expenditure from the Funding Analysis	(3,624)	22,397	(13)	18,760
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	**(368)**	**22,397**	**(176)**	**21,853**

2 Significant accounting policies

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

3 Accounting standards that have been issued but not adopted

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

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

4 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 2016/17. 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.

Property, plant and equipment 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 year end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Authority's valuer to determine whether the carrying amount of these assets is consistent with their fair value. A full revaluation was carried out as at 31 March 2015.

5 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Finance Director & Treasurer on 26 July 2017.

6 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Asset are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Authority will be able to sustain its curreny spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful economic life (UEL) of assets is reduced, depreciation will increase and the carrying value of assets will decrease.It is estimated that the annual depreciation charge for buildings would increase by £64k for every year that useful lives had to be reduced.
Pensions Liabilty	Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions/judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and expected return on assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The carrying value of the pension liabilty as at 31 March 2017 is £911,489k. The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 31.5.
Provisions	The Authority has made provision for potential claims for past events that may result in a transfer of economic benefits.The provisions provide for cover against possible employee, NDR and outstanding motor insurance payments.	The current carrying value of provisions as at 31 March 2017 is £848k. If provisions were overstated by 10% the provision would reduce by £85k.

7 Material items of income and expenditure

During the year the Authority incurred redundancy and early retirement costs of **£2.9m**. These charges are mainly to support the initial cost of organisational change as the Authority adapts to meet the challenging future.

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.

2016/17	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Emergency Planning Reserve	
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to (or from) the Pensions Reserve)	21,956	-	-	-	(21,956)
Council tax and NDR (transfers to or from Collection Fund)	(6)	-	-	-	6
Holiday pay (transferred to the Accumulated Absences Reserve)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,241	-	-	-	(2,241)
Total Adjustment to Revenue Resources	**24,191**	**-**	**-**	**-**	**(24,191)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(147)	7,025	-	-	(6,878)
Statutory provision for the repaymnent of debt (transfer from the Capital Adjustment Account)	(3,623)	-	-	-	3,623
Total Adjustments between Revenue and Capital Resources	**(3,770)**	**7,025**	**-**	**-**	**(3,255)**
Total Adjustments	**20,421**	**7,025**	**-**	**-**	**(27,446)**

Adjustments between accounting basis and funding basis under regulations

2015/16 Comparative figures	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to (or from) the Pensions Reserve)	22,397	-	-	-	(22,397)
Council tax and NDR (transfers to or from Collection Fund)	(13)	-	-	-	13
Holiday pay (transferred to the Accumulated Absences Reserve)	(163)	-	-	-	163
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,256	-	-	-	(3,256)
Total Adjustment to Revenue Resources	**25,477**	**-**	**-**	**-**	**(25,477)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(14)	(2,020)	-	-	2,034
Statutory provision for the repaymnent of debt (transfer from the Capital Adjustment Account)	(3,610)	-	-	-	3,610
Total Adjustments between Revenue and Capital Resources	**(3,624)**	**(2,020)**	**-**	**-**	**5,644**
Total Adjustments	**21,853**	**(2,020)**	**-**	**-**	**(19,833)**

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.

2016/17	Balance at 1 April	Additions made in year	Transfer to General Fund	Balance at 31 March
Earmarked General Fund Reserves:	**£000**	**£000**	**£000**	**£000**
Emergency Planning Reserve	428	9	-	437
Retained Pay Reserve	600	-	-	600
Spend to Save Reserve	976	-	(44)	932
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	200	-	-	200
Infrastructure Reserve	2,400	-	-	2,400
Rolling Budgets Reserve	-	140	-	140
Business Continuity Reserve	300	-	-	300
Risk Protection	250	-	-	250
Total	**5,354**	**149**	**(44)**	**5,459**

2015/16	Balance at 1 April	Additions made in year	Transfer to General Fund	Balance at 31 March
Earmarked General Fund Reserves:	**£000**	**£000**	**£000**	**£000**
Emergency Planning Reserve	365	63	-	428
Retained Pay Reserve	600	-	-	600
Spend to Save Reserve	1,131	-	(155)	976
Taxbase and Collection Account Reserve	500	-	(300)	200
National Non-Domestic Rates Collection Reserve	600	-	(400)	200
Infrastructure Reserve	2,400	-	-	2,400
Rolling Budgets Reserve	247	-	(247)	-
Business Continuity Reserve	500	-	(200)	300
Risk Protection	1,500	-	(1,250)	250
Total	**7,843**	**63**	**(2,552)**	**5,354**

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.

2016/17	Land and buildings	Vehicles, plant & equipment	Assets under construction	Surplus Assets	Total PP&E
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April	95,392	33,312	1,101	-	**129,805**
Transfer from FAUC	-	1,101	(1,101)	-	**-**
Additions	1,521	2,795	1,053	-	**5,369**
Impairments	(1,521)	-	-	-	**(1,521)**
Reclassifications and transfers	-	-	-		**-**
Revaluation increases/(decreases) to Revaluation Reserve	3,609	-	-	-	**3,609**
Revaluation increases/(decreases) to surplus or deficit on the provision of services	3,793	-	-	-	**3,793**
Disposals	-	(810)	-	-	**(810)**
Reversal of accumulated depreciation on revaluation	(1,538)	-	-	-	**(1,538)**
At 31 March	**101,256**	**36,398**	**1,053**	**-**	**138,707**
Depreciation and impairment					
At 1 April	26	20,672	-	-	**20,698**
Depreciation charge	1,564	2,949	-	-	**4,513**
Reversal of accumulated depreciation on revaluation	(1,539)	-	-	-	**(1,539)**
Disposals	-	(779)	-	-	**(779)**
At 31 March	**51**	**22,842**	**-**	**-**	**22,893**
Net Book value					
At 31 March 2017	**101,205**	**13,556**	**1,053**	**-**	**115,814**
At 31 March 2016	**95,366**	**12,640**	**1,101**	**-**	**109,107**

2015/16	Land and buildings	Vehicles, plant & equipment	Assets under construction	Surplus Assets	Total PP&E
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April	92,460	29,803	907	2,105	**125,275**
Transfer from FAUC	-	907	(907)	-	**-**
Additions	1,367	4,197	1,101	-	**6,665**
Impairments	(1,367)	-	-	-	**(1,367)**
Reclassifications and transfers	(6,321)	-	-	(2,105)	**(8,426)**
Revaluation increases/(decreases) to Revaluation Reserve	7,969	-	-	-	**7,969**
Revaluation increases/(decreases) to surplus or deficit on the provision of services	2,777	-	-	-	**2,777**
Disposals	-	(1,595)	-	-	**(1,595)**
Reversal of accumulated depreciation on revaluation	(1,493)	-	-	-	**(1,493)**
At 31 March	**95,392**	**33,312**	**1,101**	**-**	**129,805**
Depreciation and impairment					
At 1 April	-	19,120	-	-	**19,120**
Depreciation charge	1,519	3,147	-	-	**4,666**
Reversal of accumulated depreciation on revaluation	(1,493)	-	-	-	**(1,493)**
Disposals	-	(1,595)	-	-	**(1,595)**
At 31 March	**26**	**20,672**	**-**	**-**	**20,698**
Net Book value					
At 31 March 2016	**95,366**	**12,640**	**1,101**	**-**	**109,107**
At 31 March 2015	**92,460**	**10,683**	**907**	**2,105**	**106,155**

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

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

An analysis of the capital expenditure and the way it was financed is set out on page 5 note 5.

The Authority's fixed assets principally include:

	2015/16	2016/17
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	28

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

The former headquarters site in Hutton, including the old HQ and two houses, was sold in May 2016.

At 31 March 2017 an impairment review of all propeprties was carried out and an increase has been reflected as appropriate.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
Investments						
Investments	168	168	-	-	168	168
Cash & cash equivalents	-	-	16,189	17,210	16,189	17,210
Debtors						
Short-term debtors	-	-	463	502	463	502
Creditors						
Short term creditors	-	-	(577)	(571)	(577)	(571)
Borrowings						
Long term borrowing	(28,000)	(28,000)	-	-	(37,792)	(38,747)
Short term borrowing	-	-	(1,763)	(258)	(1,526)	-

Short-term debtors and short-term creditors are valued at invoice value or equivalent. The fair value of these balances is estimated to be equivalent to their carrying value. The accounts include interest payable of **£1,325k** and interest income of **£75k**.

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 its borrowing to date from the Public Works Loan Board. The loans carry the same interest rate for the whole term. The associated arrangement cost of the loans is not material and the Interest chargeable to the Income and Expenditure account remains the amounts payable under the loan agreements.

Long term borrowing, as at 31 March, is analysed in the following table, according to repayment periods. The maturity of borrowing has been determined by reference to the earliest date on which the lender can require repayment. At 31 March 2017 the fair value of PWLB debt is **£38.7m** compared to £39.3m as at 31 March 2016.

2015/16	**PWLB loans**	**2016/17**
£000		**£000**
	Repayment period	
-	Between 1 - 2 years	**1,000**
3,500	Between 2 - 5 years	**2,500**
3,000	Between 5 - 10 years	**3,000**
21,500	Over 10 years	**21,500**
28,000	**Balance at 31 March**	**28,000**

The longest dated loan is one of **£4.5m** that runs until December 2034. The weighted average interest rate was 4.65% at 31 March (2015/16 4.60%).

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

Interest is calculated using the most common market convention, ACT/365. Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments. For fixed term deposits it is assumed that interest is received on maturity. No adjustment has been made for the interest value and date where a relevant date occurs on a non working day. The fair value of PWLB borrowing is reported in note 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 it's 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 2017 was **£17.2m** as detailed in note 15.

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 days 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. The Authority operates well within the borrowing limits set as part of its treasury management and prudential indicators. This limits the risk that the Authority may not have the capacity to renew a loan. The risk that interest rates may increase is monitored in conjunction with treasury management advisors and borrowing can be undertaken ahead of need if interest rates are favourable. There is not considered to be a significant refinancing and maturity risk.

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 £280k per annum.

13 Inventories

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

	Stores		Vehicle parts		Diesel		**Total**	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	**2015/16**	**2016/17**
	£000	£000	£000	£000	£000	£000	**£000**	**£000**
Balance at 1 April	461	436	98	89	76	70	**635**	**595**
Purchases	296	366	430	334	352	362	**1,078**	**1,062**
Recognised as an expense	(326)	(305)	(439)	(328)	(358)	(352)	**(1,122)**	**(985)**
Provision for redundant stock	5	(88)	-	-	-	-	**5**	**(88)**
Balance at 31 March	436	409	89	95	70	80	**595**	**584**

14 Debtors

The analysis of Debtors is shown below:

2015/16 £000		2016/17 £000
2,227	Central government bodies	**5,777**
2,786	Other local authorities	**2,529**
6	National Health Service bodies	**-**
1,815	Bodies external to general government	**2,757**
6,834		**11,063**

The aged debt analysis for trade debtors below shows that **£15k** (9%) of these debtors are past their due date for payment.

Aged analysis of sales ledger	**£000**	**%**
0 to 30 days	161	91
31 to 60 days	5	3
61 to 90 days	3	2
91 to 121 days	1	1
121+ days	6	3

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in Notes 33 and 34 respectively.

15 Cash and cash equivalents

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

2015/16 £000		2016/17 £000
1,689	Bank current accounts	**210**
14,500	Cash equivalent investments	**17,000**
16,189		**17,210**

16 Assets held for sale

2015/16 £000		2016/17 £000
-	**Balance at 1 April**	**8,426**
8,426	Assets newly classified as held for sale	**-**
-	Revaluation losses	**-**
-	Revaluation gains	**-**
-	Impairment	**-**
-	Assets sold	**(8,426)**
8,426	**Balance at 31 March**	**-**

The former headquarters site in Hutton was sold in May 2016.

17 Creditors

The analysis of Creditors is shown below:

2015/16 £000		2016/17 £000
(12,817)	Central government bodies	**(13,009)**
(2,275)	Other local authorities	**(2,439)**
(4,873)	Bodies external to general government	**(3,616)**
(19,965)		**(19,064)**

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in notes 33 and 34 respectively.

18 Grant receipts in advance

The Authority has **£1,482k** grant receipts in advance (2015/16 £292k), of which **£1,460k** is for revenue and **£22k** for capital purposes.

19 Provisions

	Risk protection provision	Non-domestic rating appeals	Provision for payments to leavers	Provision for taxation on pension scheme	Total provisions
	£000	£000	£000	£000	£000
Balance at 1 April	**(165)**	**(886)**	(200)	**(5)**	**(1,256)**
Adjustment to opening balance	-	-	-	-	**-**
Additional provisions made in year	(47)	-	-	(11)	**(58)**
Amounts used in year	-	266	-	-	**266**
Unused amounts reversed in year	-	-	200	-	**200**
Balance at 31 March	**(212)**	**(620)**	**-**	**(16)**	**(848)**

The balance of the Risk Protection provision at 31 March 2017 was **£212k** (2016 £165k) and includes provision for claims for motor, employers' liability and public liability policies. From October 2008 the Authority's insured against third party claims on its motor policy. The provision includes an allowance for incidents in the period where claims have not yet been notified.

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

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:

2015/16 £000		2016/17 £000
18,408	Revaluation Reserve	**15,616**
60,120	Capital Adjustment Account	**61,025**
(487)	Holiday Pay Account	**(487)**
(211)	Collection Fund Adjustment Account	**(205)**
(692,090)	Pensions Reserve	**(863,959)**
(614,260)		**(788,010)**

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.

2015/16 £000		2016/17 £000
10,582	**Balance at 1 April**	**18,408**
7,969	Upward revaluation of assets	**3,609**
7,969	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**3,609**
(143)	Difference between fair value depreciation and historical cost depreciation	**(168)**
-	Accumulated gains on assets sold	**(6,233)**
(143)	Amount written off to the Capital Adjustment Account	**(6,401)**
18,408	**Balance at 31 March**	**15,616**

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.

2015/16 £000		**2016/17 £000**
57,589	**Balance at 1 April**	**60,120**
	Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:	
(6,033)	Charges for depreciation & impairment of non current assets	**(6,034)**
2,777	Revaluation gains/(losses)	**3,792**
2,034	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	**(6,877)**
143	Adjusting amounts written out of the Revaluation Reserve	**6,401**
(1,079)	**Net written out amount of the cost of non current assets consumed in the year**	**(2,718)**
	Capital financing applied in the year:	
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**-**
-	Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	**-**
3,610	Statutory provision for the financing of capital investment charged against the General Fund balance	**3,623**
3,610		**3,623**
60,120	**Balance at 31 March**	**61,025**

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.

2015/16 £000		2016/17 £000
(650)	Balance at 1 April	(487)
163	Change in amounts accrued at the end of the current year	-
(487)	Balance at 31 March	(487)

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.

2015/16 £000		2016/17 £000
(224)	Balance at 1 April	(211)
13	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	6
(211)	Balance at 31 March	(205)

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.

2015/16 £000		2016/17 £000
(707,005)	Balance at 1 April	(692,090)
37,312	Actuarial gains or (losses) on pension assets and liabilities	(149,913)
(22,397)	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	(21,956)
(692,090)	Balance at 31 March	(863,959)

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

2015/16 £000		2016/17 £000
(6,033)	Depreciation and impairments	**(6,034)**
2,777	Revaluation gains/(losses)	**3,792**
2,634	(Increase)/decrease in creditors	**(50)**
(400)	(Increase)/decrease in provisions	**408**
(40)	Increase/(decrease) in inventories	**(11)**
1,508	Increase/(decrease) in debtors	**4,229**
(22,397)	Movement in pension liability	**(21,956)**
14	Carrying amount of non-current assets sold	**147**
-	Other non cash adjustments	**-**
(21,937)		**(19,475)**

Included in the above is **£1,325k** interest paid and **£75k** interest received.

23 Members allowances and expenses

Allowances and expenses paid to members in 2016/17 totalled **£150k** (£148k in 2015/16).

24 Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2016/17 is listed below:

Remuneration band	Number of officers	
	2015/16	2016/17
£50,000 - £54,999	29	24
£55,000 - £59,999	9	8
£60,000 - £64,999	11	10
£65,000 - £69,999	2	3
£70,000 - £74,999	5	2
£75,000 - £79,999	6	2
£80,000 - £84,999	5	3
£85,000 - £89,999	1	0
£100,000 - £104,999	-	1
£105,000 - £109,999	-	1
£120,000 - £124,999	2	1
£130,000 - £134,999	1	-
£140,000 - £144,999	1	-
£180,000 - £184,999	1	1
£195,000 - £199,999	1	1

The tables below detail the individual remuneration of senior employee's for 2016/17 and 2015/16 respectively.

24.1 2016/17

Senior Officer Remuneration 2016/17	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
Chief Fire Officer - D Johnson	£154,159	£28,000	£15,703	£1,627	£33,453
Acting Chief Fire Officer - A Eckley	£153,137	£28,000	£1,286	£1,627	£33,231
Assistant Chief Fire Officer	£114,853	£2,495	£2,136	£1,627	£24,923
Finance Director & Treasurer	£91,933	£687	£8,902	£1,627	£12,849
Director of Transformation	£105,135	-	-	-	£14,614

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 24 (above).

During the year the Deputy Chief Fire Officer continued as Acting Chief Fire Officer and was paid the allowance in respect of the additional duties as the Chief Emergency Planning Officer. Other senior officers also received additional responsibilty allowances during 2016/17. From 1 April 2016 the working arrangements for the Finance Director and Treasurer were reduced under flexible retirement to 0.8 fte.

24.2 2015/16

Senior Officer Remuneration 2015/16	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
Chief Fire Officer - D Johnson	£152,633	£28,000	£14,298	£1,382	£33,120
Acting Chief Fire Officer - A Eckley	£151,621	£28,000	£855	£1,382	£32,900
Assistant Chief Fire Officer	£113,716	£7,486	£1,352	£1,382	£24,675
Assistant Chief Fire Officer	£113,716	£7,486	-	£1,382	£25,796
Finance Director & Treasurer	£113,716	£7,588	£7,843	£1,382	£16,847
Director of Human Resources and Organisational Development	£118,119	£8,558	£12,275	£1,382	£16,574

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 24 (above).

During the year the Deputy Chief Fire Officer continued as Acting Chief Fire Officer and was paid the allowance in respect of the additional duties as the Chief Emergency Planning Officer. Other senior officers also received additional responsibilty allowances during 2015/16.

25 External Audit costs

The Authority paid **£36k** (2015/16 £36k) for external audit services carried out by the appointed auditor.

26 Related parties

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

2015/16 £000		2016/17 £000
	Provided services to:	
	UK Central Government	
16,303	Revenue Support Grant	**14,234**
15,053	Non Domestic Rates (NDR) Grant	**15,369**
249	EFA Trading Ltd	**453**
31,605		**30,056**
	Received services from:	
390	Essex County Council	**700**
214	Fire and Rescue Indemnity Company Ltd.	**217**
3	EFA Trading Ltd	**-**
607		**917**

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).

Some Members are also Councillors for Essex County Council and some are on the board of EFA (Trading) Ltd both whose related party transactions are detailed in the table above. Some Members are also Councillors for other Local Authorities within Essex.

27 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.

2015/16 £000		2016/17 £000
37,984	**Opening Capital Financing Requirement**	**39,005**
	Capital investment	
6,665	Property, plant and equipment	**5,369**
	Sources of finance	
(2,034)	Capital receipts	**(1,580)**
-	Government grants and other contributions	**-**
	Sums set aside from revenue:	
(3,610)	Revenue provision for capital financing	**(3,623)**
39,005	**Closing Capital Financing Requirement**	**39,171**
	Explanation of movements in year	
1,021	Increase/(Decrease) in underlying need to borrow	**166**
1,021	**Increase/(Decrease) in Capital Financing Requirement**	**166**

28 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.

2015/16 £000		2016/17 £000
	Commitments under operating leases	
70	Property - Not later than one year	**70**
180	Vehicles - Not later than one year	**136**
134	Property - Later than one year and not later than five years	**68**
223	Vehicles - Later than one year and not later than five years	**99**
9	Property - Later than five years	**1**
616		**374**

29 Capital Commitments

At 31 March 2017 the Authority had capital expenditure commitments of **£2.4m**.

30 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**
	Compulsory	**Other Departures**	**£000**
2016-17			
up to £20K	-	6	**31**
up to £40K	-	1	**25**
up to £60K	-	11	**592**
up to £80K	-	31	**2,051**
up to £100K	-	1	**97**
up to £120K	-	1	**105**
Total 2016-17	**-**	**51**	**2,901**
2015-16			
up to £20K	-	10	**27**
up to £40K	-	1	**20**
up to £80K	-	3	**208**
up to £100K	-	6	**539**
up to £120K	-	1	**110**
up to £180K	-	1	**172**
Total 2015-16	**-**	**22**	**1,076**

The total cost of **£2.9m** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

31 Pensions

31.1 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 2016/17 this cost **£2k** (£2k in 2015/16).

On 1 April 2015 a new Firefighters' Pension Scheme was introduced, and the following notes include the data for the three schemes combined, 2015, 2006 and 1992. Employees' and employers' contributions into the Firefighters' Pension Fund are determined by the Secretary of State on the advice of the Government Actuary. Payments of pensions and other retirement benefits are made from the Pension Fund (see page 60). 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.

31.2 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	
	2015/16	**2016/17**	**2015/16**	**2016/17**
	£000	**£000**	**£000**	**£000**
Net cost of services:				
Service cost	2,433	2,661	19,115	17,101
Net interest on the defined liability (asset)	697	739	22,343	23,874
Administration expenses	18	16	-	-
Remeasurements in Other Comprehensive Income	(3,029)	9,098	(34,283)	140,815
Net charge to the CIES	**119**	**12,514**	**7,175**	**181,790**
Adjustments between accounting basis & funding basis under regulations:				
Reversal of net charges made for retirement benefits in accordance w ith IAS 19	**3,148**	**3,416**	**41,458**	**40,975**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**1,725**	**1,748**	**20,428**	**20,665**
Net charge to the General Fund Summary	**4,873**	**5,164**	**61,886**	**61,640**

31.3 Assets and liabilities in relation to retirement benefits

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

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

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

Reconciliation of asset and benefit obligation:

	LGPS		Firefighters	
	31/03/16	31/03/17	31/03/16	31/03/17
	£000	£000	£000	£000
Opening Defined Benefit Obligation	(59,099)	(59,381)	(685,092)	(671,839)
Current service cost	(2,243)	(2,092)	(15,510)	(12,011)
Interest cost	(1,941)	(2,201)	(22,343)	(23,874)
Change in assumptions	3,365	(15,016)	36,518	(140,610)
Liabilities assumed on settlements	-	(54)	-	-
Experience loss/(gain) on defined benefit obligation	3	(251)	(2,235)	(205)
Estimated benefits paid net of transfers in	1,286	1,574	24,684	25,196
Past service costs, including curtailments	(190)	(547)	(3,605)	(5,090)
Contributions by Scheme participants	(582)	(577)	(4,256)	(4,531)
Unfunded pension payments	20	20	-	-
Closing Defined Benefit Obligation	**(59,381)**	**(78,525)**	**(671,839)**	**(832,964)**

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

	LGPS		Firefighters	
	31/03/16	31/03/17	31/03/16	31/03/17
	£000	£000	£000	£000
Opening fair value of Scheme assets	37,194	39,082	-	-
Interest on assets	1,244	1,462	-	-
Return on assets less interest	(339)	6,258	-	-
Adminstration expenses	(18)	(16)	-	-
Contributions by employer including unfunded	1,725	1,748	20,428	20,665
Contributions by Scheme participants	582	577	4,256	4,531
Estimated benefits paid plus unfunded net of transfers in	(1,306)	(1,594)	(24,684)	(25,196)
Other actuarial gains/(losses)	-	(89)	-	-
Settlement prices received	-	32	-	-
Closing fair value of Scheme assets	**39,082**	**47,460**	**-**	**-**

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£70k).

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.

31.4 Scheme history

	31/03/13 £000	31/03/14 £000	31/03/15 £000	31/03/16 £000	31/03/17 £000
Fair Value of Assets in pension scheme	28,455	31,745	37,194	39,082	47,460
Present Value of Defined Benefit Obligation	(47,485)	(48,459)	(59,099)	(59,381)	(78,525)
Surplus/(deficit) in the Scheme	**(19,030)**	**(16,714)**	**(21,905)**	**(20,299)**	**(31,065)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£911.5m** (£731.2m 2015/16) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£864.0m**.

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 2018 is **£2.4m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2018 are **£5.2m**.

31.5 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	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:			Restated	
Longevity at 65 for future pensioners:				
Men	25.2 years	24.3 years	25.0 years	23.8 years
Women	27.7 years	26.9 years	27.4 years	26.5 years
Longevity at 65 for current pensioners:				
Men	22.9 years	22.1 years	22.7 years	21.7 years
Women	25.3 years	24.6 years	25.0 years	24.2 years
Salary Increase Rate	4.2%	4.2%	4.0%	4.4%
Rate of increase in pensions	2.4%	2.7%	2.3%	2.7%
Discount Rate	3.7%	2.8%	3.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum:				
Service to April 2009	60%	50%	50%	50%
Service post April 2009	60%	50%	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions ocurring 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)	81,401	75,754	866,614	800,656
Rate of increase in salaries (increase or decrease by 1%)	78,771	78,282	834,352	831,582
Rate of increase in pensions (increase or decrease by 1%)	79,901	77,179	846,710	819,474
Rate for discounting scheme liabilities (increase or decrease by 1%)	76,938	80,147	818,106	848,113

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	
	31/03/16 £000	31/03/17 £000
Equities	26,451	32,416
Bonds	3,028	3,725
Property	4,654	4,617
Cash	1,270	1,429
Alternative assets	1,738	3,165
Other managed funds	1,941	2,108
	39,082	**47,460**

31.6 Pensions Reserve

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

	LGPS		Firefighters	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening balance:	21,905	20,299	685,092	671,839
Current service cost	2,243	2,092	15,510	12,011
Interest cost	1,941	2,201	22,343	23,874
Changes in assumptions	(3,365)	15,016	(36,518)	140,610
Experience loss/(gain) on defined benefit obligation	(3)	251	2,235	205
Liabilities assumed on settlements	-	54	-	-
Past service cost, including curtailments	190	547	3,605	5,090
Contributions by employer including unfunded	(1,725)	(1,748)	(20,428)	(20,665)
Interest on assets	(1,244)	(1,462)	-	-
Return on assets less interest	339	(6,258)	-	-
Other actuarial gains/(losses)	-	89	-	-
Administration expenses	18	16	-	-
Settlement prices received	-	(32)	-	-
Balance at 31 March	**20,299**	**31,065**	**671,839**	**832,964**

32 Long Term Investments

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

33 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 2016/17 and 2015/16, respectively, are shown below:

2016/17

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	-	(92)	(73)	351	(186)
Braintree	21	(28)	(60)	131	(43)
Brentwood	64	(39)	(35)	118	(44)
Castle Point	-	(15)	(32)	102	(66)
Chelmsford	48	(139)	(61)	238	(38)
Colchester	25	(115)	(134)	264	(155)
Epping Forest	-	(50)	(80)	163	(67)
Harlow	36	(110)	(25)	236	(101)
Maldon	27	(25)	(29)	80	(26)
Rochford	7	-	(20)	61	(48)
Southend	46	(18)	(72)	220	(130)
Tendring	-	(64)	(93)	202	(79)
Thurrock	29	(47)	(29)	150	(74)
Uttlesford	-	(35)	(27)	88	(44)
Total	**303**	**(777)**	**(770)**	**2,404**	**(1,101)**

2015/16

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	-	(126)	(70)	314	(154)
Braintree	7	(33)	(57)	136	(46)
Brentwood	17	(51)	(22)	122	(49)
Castle Point	20	(27)	(24)	109	(58)
Chelmsford	-	(201)	(61)	204	(33)
Colchester	5	(113)	(121)	271	(155)
Epping Forest	7	(26)	(70)	165	(69)
Harlow	118	(71)	(39)	206	(95)
Maldon	-	(42)	(24)	80	(25)
Rochford	3	(13)	(21)	67	(49)
Southend	55	(57)	(71)	233	(105)
Tendring	-	(60)	(75)	192	(74)
Thurrock	53	(49)	(27)	153	(76)
Uttlesford	12	(21)	(24)	98	(53)
Total	**297**	**(890)**	**(706)**	**2,350**	**(1,041)**

34 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 2016/17 and 2015/16, respectively:

2016/17

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	70	(80)	(78)	(11)	31	(12)
Braintree	24	(10)	(24)	(5)	6	(1)
Brentwood	49	-	(49)	(7)	27	(12)
Castle Point	26	(25)	(24)	(3)	2	(1)
Chelmsford	107	(118)	(108)	(20)	29	(9)
Colchester	49	(45)	(45)	(20)	28	(13)
Epping Forest	40	(14)	(35)	(13)	11	(3)
Harlow	67	-	(26)	(23)	25	(15)
Maldon	18	-	(11)	(4)	7	(3)
Rochford	6	(17)	(6)	(2)	3	(2)
Southend	52	-	(46)	(14)	17	(7)
Tendring	27	(10)	(24)	(8)	7	(2)
Thurrock	125	-	(123)	(3)	6	(4)
Uttlesford	22	-	(21)	(5)	14	(5)
Total	**682**	**(319)**	**(620)**	**(138)**	**213**	**(89)**

2015/16

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	222	-	(168)	(18)	20	(10)
Braintree	49	-	(46)	(4)	11	(2)
Brentwood	34	(12)	(41)	(5)	27	(15)
Castle Point	32	(7)	(30)	(2)	2	(1)
Chelmsford	143	(85)	(146)	(16)	28	(9)
Colchester	75	-	(74)	(10)	26	(10)
Epping Forest	36	(6)	(36)	(10)	12	(3)
Harlow	49	(44)	(52)	(8)	24	(13)
Maldon	12	-	(11)	(4)	8	(3)
Rochford	5	(16)	(3)	(3)	3	(1)
Southend	26	(13)	(28)	(12)	20	(7)
Tendring	31	(2)	(31)	(4)	6	(1)
Thurrock	114	(41)	(116)	(5)	9	(2)
Uttlesford	92	(58)	(105)	(4)	23	(6)
Total	**920**	**(284)**	**(887)**	**(105)**	**219**	**(83)**

35 Premiums and Discounts

Premiums and discounts are paid or received on early redemption of borrowing. As at the 1 April 2016 the Authority had no outstanding premiums or discounts balances on its Balance Sheet and none as at 31 March 2017.

36 Financial Guarantees

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

37 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 2017

2015/16 £000		2016/17 £000
	Contributions receivable	
	from employer	
(4,749)	normal contributions	**(4,377)**
(136)	early retirements	**(217)**
(4,236)	from members	**(3,397)**
	Transfers in	
(314)	individual transfers in from other schemes	**(36)**
	Benefits payable	
16,638	pensions	**16,967**
3,611	commutations and lump sum retirement benefits	**6,357**
2,235	GAD v Milne additional payments	**182**
	Payments to and on account of leavers	
68	individual transfers out to other schemes	**72**
13,117	**Deficit for the year before top-up grant receivable from central government**	**15,551**
(10,691)	Top up grant payable by sponsoring department	**(15,551)**
(2,426)	GAD v Milne additional grant	**-**
-	**Net amount payable for the year**	**-**

FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 MARCH 2017

2015/16 £000		2016/17 £000
	Net current assets and liabilities	
(1,690)	Top up payable to/(receivable from) sponsoring department	**(5,351)**
1,690	Amount owing to general Fund	**5,351**
-		**-**

NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

1 Background

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

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

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

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2017.

2 Accounting policies

2.1 Accounting convention

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

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

2.2 Contributions

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

2.3 Benefits payable

Retirement benefits are accounted for on an accrual basis.

2.4 Transfers to / from other Schemes

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

2.5 Basis of preparation and International Financial Reporting Standards

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

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

8 Capital expenditure

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

9 Capital financing

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

10 Capital programme

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

11 Capital receipt

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

12 CIPFA

The Chartered Institute of Public Finance and Accountancy.

13 Collection fund

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

14 Consistency

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

15 Contingent asset

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

16 Contingent liability

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

17 Creditor

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

18 Current service cost (pensions)

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

19 Debtor

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

20 Deferred charges

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

21 Defined benefit pension scheme

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

22 Depreciation

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

23 Discretionary benefits (pensions)

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

24 Equity

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

25 Events after the balance sheet date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

26 Exceptional items

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

27 Expected return on pension assets

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

28 Extraordinary items

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

29 Fair value

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

30 Government grants

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

31 Impairment

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

32 Income and expenditure account

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

33 Interest cost (pensions)

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

34 Investments (pension fund)

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

35 Liability

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

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

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

36 Liquid resources

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

37 Long term contract

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

38 Materiality

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

39 Minimum Revenue Provision (MRP)

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

40 Net book value

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

41 Net debt

The Authority's borrowings less cash and liquid resources.

42 Non-domestic rates (NDR)

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

43 Non-operational assets

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

44 Operating lease

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

45 Operational assets

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

46 Past service cost (pensions)

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

47 Pension scheme liabilities

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

48 Precept

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

49 Prior year adjustment

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

50 Provision

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

51 Public Works Loan Board (PWLB)

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

52 Rateable value

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

53 Related parties

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

54 Related party transactions

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

55 Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other

benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

56 Reserves

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

57 Residual value

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

58 Retirement benefits

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

59 Revenue expenditure

The day-to-day expenses of providing services.

60 Revenue support grant

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

61 Stocks

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

62 Temporary borrowing

Money borrowed for a period of less than one year.

63 Useful economic life (UEL)

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

Essex Fire Authority
Audit results report

Year ended 31 March 2017

Building a better working world

Private and Confidential 14 July 2017

Dear Policy and Strategy Committee Members

We have substantially completed our audit of Essex Fire Authority (the Authority) for the year ended 31st March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 03, before the statutory deadline, and following the approval of the financial statements by this Committee in July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Policy and Strategy Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Kevin Suter
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Policy and Strategy Committee, other members of the Authority and management of Essex Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Policy and Strategy Committee, other members of the Authority and management of Essex Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Policy and Strategy Committee, other members of the Authority and management of Essex Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 19th April 2017 Audit, Governance and Review Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1.958 million. We reassessed this using the actual year-end figures, which has slightly decreased this amount to £1.917 million. The threshold for reporting audit differences has decreased from £97,900 to £95,876. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- The firefighters' pension fund statement
- Remuneration disclosures including any severance payments, exit packages and termination benefits.
- Related party transactions.

Status of the audit

We have substantially completed our audit of Essex Fire Authority's financial statements for the year ended 31st March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at section 03. However until work is complete, further amendments may arise:

- Completion of testing on asset valuations
- Following up queries raised with our technical team on IAS19 transactions and pensions assumptions
- Completing our review of the Narrative Report
- Clearance of remaining audit queries
- Final Director and Manager review of the completed audit work
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed accounts and management representation letter

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

To date, there are no unadjusted audit differences arising from our audit. Adjusted audit differences are set out in Section 04 of this report.

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Essex Fire Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure.

An area of audit focus which we included in the audit plan was the introduction of the Expenditure and Funding Analysis and the restatement of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. Officers provided us with an early draft of their proposed changes which we reviewed in April. Following further guidance and technical review of the disclosures, further audit adjustments were requested during our final accounts work in July to ensure that the format of the disclosures were in line with the CIPFA code. These adjustments led to expenditure being reclassified on the Comprehensive Income and Expenditure Statement but did not impact on total gross expenditure or the general fund. We agreed with the Authority's assessment that it reports as a single segment, and agreed the restated comparative figures back to the Authority's segmental analysis and supporting working papers.

We summarise our consideration of all other key areas of focus, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no other matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risks:

- Sustainable resource deployment: Achievement of savings needed over the medium term, as the Authority's efficiency plans have determined that the financial challenge before efficiencies for the four years from 2016-17 to 2019-20 is £14.7 million.
- Working with Strategic Partners: Police and Fire collaboration within Essex, following the public consultation on the potential change in the way Essex County Fire & Rescue Service is governed, which was launched on 16 February 2017 by the PCC for Essex.

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

The Authority falls below the threshold for performing procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. Therefore, we will report to the NAO on this basis.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

During the audit we identified one observation and/or improvement recommendation for management's financial processes and controls which we have noted in section 07.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.

02 Areas of Audit Focus

Audit issues and approach: Fraud in revenue recognition

Risk of fraud in revenue and expenditure recognition

What are our conclusions?

Our testing has not identified any material misstatements from the incorrect capitalisation of expenditure items.

What is the risk?

Risk of fraud in revenue and expenditure recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

Fire authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition.

Significant Risk

What did we do?

We considered whether or not revenue spend had been appropriately capitalised by testing a sample of additions to property, plant and equipment to ensure these were correct to be included as assets on the balance sheet.

Audit issues and approach: Management override

Management override of controls

What are our conclusions?

From our work completed to date:

- We have not identified any material weaknesses in controls or evidence of material management override of controls.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

What is the risk?

Risk of management override of controls

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Significant Risk

What did we do?

Our testing of journal entries to date has not identified adjustments which were outside of the normal course of business. All journals tested have an appropriate business rationale.

We reviewed accounting estimates for evidence of management bias and did not identify any instances where inappropriate judgements were being applied.

We performed sample testing on additions to the property, plant and equipment balance and found that these items met the relevant accounting requirements to be capitalised.

Audit issues and approach: Financial statements presentation

Expenditure and funding analysis and Comprehensive income and expenditure statement

What are our conclusions?

The work we have completed to date has found that:

- adjustments were required to ensure the disclosures were in line with the CIPFA Code. This will be corrected by management in the final version of the financial statements
- the restated comparative figures agreed to the Authority's segmental analysis and supporting working papers with no issues noted

What is the risk?

Financial statement presentation
Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Authority operates. We expect this to reflect the Authority's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015-16 comparatives will require audit review, which could potentially result in additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

We reviewed the draft expenditure and funding analysis, restated CIES and associated notes.

Following our review in April of the proposed changes, further guidance was issued and audit adjustments were requested to ensure that the format of the disclosures were in line with the CIPFA code.

We agreed with the Authority's assessment that it reports as a single segment, and agreed the restated comparative figures back to the Authority's segmental analysis and supporting working papers.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX FIRE

Opinion on the Authority financial statements

We have audited the financial statements of Essex Fire Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Related notes 1 to 38 to the Core Accounting Statements; and
- Include the firefighters' pension fund financial statements comprising the: Fund Account; Net Assets Statement and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Essex Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Director and Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Finance Director and Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on

Draft audit report (continued)

Our opinion on the financial statements (cont.)

Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Director and Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2016/17 Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the 2016/17 accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Essex Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Essex Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Essex Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
TBC July 2017

The maintenance and integrity of the Essex Fire Authority web site is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements in the financial statements or disclosures identified during the audit. These will be corrected by management in the final statement of accounts:

- The Comprehensive Income and Expenditure Statement (CIES) was restated following changes to the Code and the introduction of the new Expenditure and Funding Analysis in 2016/17. However, amounts on the CIES in the draft statement of accounts were misclassified between headings in the expenditure section. The following adjustments were made, but do not impact total gross expenditure or the general fund:
    - Depreciation of £4.513 million was moved from Premises & Equipment to Depreciation, amortisation & impairment
    - The provision for capital financing of £3.623 million was removed from the Statutory provision for Capital Financing and from Financing items
    - Pensions costs of £2.672 million (£3.585 million relating to firefighters and -£0.913 million relating to support staff) were moved from Other costs & services to Employment costs
    - Revaluations of property, plant and equipment of -£2.272 million were moved from Other costs & services to Depreciation, amortisation & impairment
    - Ill health pension costs of £2.201 million were moved from Ill health pension costs to Firefighters' Employment costs.

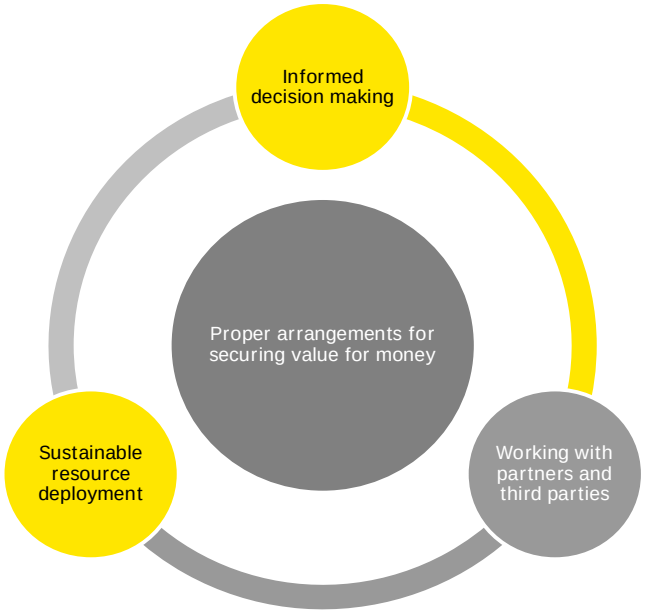
- There was a misclassification of £2.105 million on the 2015/16 comparative balance sheet between Surplus Assets and Land and buildings. This did not have an impact on the total value of long term assets on the balance sheet.

- The disclosure in note 21.1 Revaluation Reserve was not compliant with the Code and adjustments were required to the table. This did not have an impact on the presentation within the balance sheet.

There were no uncorrected misstatements.

05 Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified two significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We anticipate reporting that, in all significant respects, Essex Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:
"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
We did not identify any significant risks in our risk assessment.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
Achievement of savings needed over the medium term The Authority faces significant financial challenges and has identified that they will face an £5.9 million reduction in revenue support grant from 2016-17 to 2019-20. Their efficiency plans have determined that the financial challenge before efficiencies for the four years from 2016-17 to 2019-20 is £14.7 million. Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable. The Authority has recognised this challenge as part of its options for change, through Programme 2020.	Deploying resources in a sustainable manner	We have considered the: · robustness of any assumptions used in the 2017-18 annual budget; · Authority's progress in identifying sources of savings and efficiencies to meet the pressures of future reductions in funding, taking into account any relevant information from Programme 2020; and · adequacy of future levels of reserves. We have concluded that the Authority's arrangements are adequate.
Police and Fire collaboration within Essex The Policing and Crime Act 2017 received Royal Assent on 31 January. The Bill makes provision for collaboration between the emergency services and allows police and crime commissioners to govern fire and rescue services as well as police. The new Policing and Crime Act 2017 offers the opportunity to transform local fire and rescue governance, enabling police and crime commissioners to govern the fire and rescue authority where a strong local case is made. On 16 February 2017, the PCC for Essex launched a public consultation on the potential change in the way Essex County Fire & Rescue Service is governed. The public consultation closes on 10 May 2017 and the PCC's proposal for future arrangements within Essex will be sent to the Home Secretary, with a formal decision expected to be made in June 2017. Legal approval is expected to be received in September 2017 and the changes will take effect on 1 October 2017.	Working with partners and other third parties	We have considered the: · governance arrangements put in place within Essex Fire Authority to consider such a significant potential transition programme, leading to the development of the proposal to the Home Secretary. We have concluded that the Authority's arrangements are adequate.

Other matters to bring to your attention

We noted the following issues as part of our value for money conclusion assessment

What are our findings?
On 8th June 2016, Essex Fire Authority resolved to support Option 2 of the proposals put forward for Programme 2020, which initiated a programme of change to support the Authority's strategic priorities. Option 2 proposed a 2% increase (about £1.35 on a Band D property per year) in the fire service portion of Council Tax and a smaller reduction in response resources. The implementation plan for the changes was approved by Essex Fire Authority on 7th September 2016 and the proposals have started to be implemented with the removal of second appliances, relocation of staff and recruitment of on-call crews. Changes in the performance management framework and new performance measures and reporting have also been implemented.
The Authority's Efficiency Plan is based on the assumption that Council Tax will increase by 2% annually until 2019/20, in line with Option 2 of Programme 2020. The Efficiency Plan recognises that the financial challenge before efficiencies is £11.3 million from 2017/18 to 2019/20. Efficiency savings from reducing pay costs relating to operational response and support costs are expected to be £10.6 million, reducing the budget pressure to £0.7 million from 2017/18 to 2019/20. The Authority has resolved to use reserves to balance the budget due to the time in which it takes for new staff to be recruited and trained to become on-call firefighters. The Efficiency Plan includes a total use of earmarked reserves of £0.95 million during 2017/18 and 2018/19 for this purpose. It is expected that by 2019/20 the Authority's net forecast position will be a surplus of £0.24 million after efficiency savings. General fund and earmarked reserves are expected to remain at £12 - £13 million from 2017/18 and 2019/20.
The Authority's actual net expenditure outturn position for 2016/17 was £71.309 million, an overspend of £5,000 against the latest approved budget of £71.304 million. The outturn position includes the use of £1.6 million of capital receipts to support the statutory provision for capital financing. This allowed expenditure to be released to fund additional costs, mainly on one-off costs of early exit options to reduce wholetime firefighter numbers, as agreed in the Efficiency Plan. General fund and earmarked reserves remained stable at £12.213 million at 31 March 2017.
The Police and Crime Commissioner for Essex undertook a 12 week consultation with the public, top tier local authorities, police and fire & rescue staff and wider stakeholders from 16th February to 10th May 2017. The Local Business Case assessed the options, as set out in the Policing and Crime Act 2017, for changes to governance of the Fire Service. Letters of support were received from all three top tier local authorities; three letters were received signed by 17 Essex MPs and 1,708 responses were received from the public. The consultation results show that the joint governance option scored the highest in terms of potential benefits and ease of delivery. The final version of the Local Business case was submitted to the Home Secretary on 19th May 2017. It is expected that the necessary Statutory Instruments to change the arrangements will be in place for 1st October 2017. Planning for the transition has commenced and committees have been set up to monitor and review this work, including an Emergency Services Strategic Governance Board and Transition Working Group. Senior officers and members from Essex Police and Essex Fire are involved in these committees. A project plan is under development, which will detail what needs to be completed to achieve a clean and smooth transition with the timescale. Key activities include the development of a revised constitution, review of the governance structure, a formal staff consultation and development of a communication strategy.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2016/17 Accounts with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

We are completing our review of the information presented in the Narrative Report for consistency with our knowledge of Essex fire Authority. We do not anticipate that there will be any matters to report as a result of this work. We will provide an update to the Policy and Strategy Committee at the meeting on 26th July 2017.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The Authority falls below the threshold for performing procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. Therefore, we will report to the NAO on this basis.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues that would require us to make such a recommendation.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. This has included consideration of the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related party disclosures;
- External confirmations;
- Going concern considerations;
- Consideration of laws and regulations; and
- Group accounts requirements

We have no such matters to report.

07 Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Our testing of entity level controls did however identify that the HBS system, which is used for recording retained firefighters' hours, does not have any automated controls for segregation duties. This means that the same person can both input and authorise the hours they have worked.

We understand that mitigating detection controls are in place through budget monitoring and management review and challenge of the hours worked.

We understand that this is in contravention of HR policies and that a new system is to be implemented during 2017/18, which will include automated controls. However, we recommend that existing staff are reminded of the HR policies and that recording and authorisation of hours should be carried out by different people.

The matters reported here are limited to those deficiencies identified during the audit and important enough for us to report to you.

The table below provides an overview of the observations we have from the 2016/17 audit.

	High	Moderate	Low	Total
Open at July 2016	0	0	0	0
Closed during FY17	0	0	0	0
New points raised in FY17	0	1	0	1
Total open points as at July 2017	0	1	0	1

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.

08 Appendices

Required communications with the Policy and Strategy Committee

There are certain communications that we must provide to the Policy and Strategy Committee and audit committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Policy and Strategy Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan presented to 19th April 2017 Audit, Governance and Review Committee
Significant findings from the audit	• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit)	Audit Results Report presented to 26th July Policy and Strategy Committee meeting
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Essex Fire Authority's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Significant corrected misstatements, in writing	Audit Results Report presented to 26th July Policy and Strategy Committee meeting

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Fraud	▸ Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▸ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and/or regulations ▸ Difficulty in identifying the party that ultimately controls the entity	We have no matters to report
Subsequent events	▸ Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report presented to 26th July Policy and Strategy Committee meeting
Other information	▸ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	We have no matters to report
External confirmations	▸ Management's refusal for us to request confirmations ▸ We were unable to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and/or regulations	▸ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▸ Asking the Governance, Performance and Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Governance, Performance and Audit Committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report presented to 26th July Policy and Strategy Committee meeting
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	Audit Plan presented to 19th April 2017 Audit, Governance and Review Committee Audit Results Report presented to 26th July Policy and Strategy Committee meeting
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	Audit Plan presented to 19th April 2017 Audit, Governance and Review Committee Audit Results Report presented to 26th July Policy and Strategy Committee meeting

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to 19th April 2017 Audit, Governance and Review Committee.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that Management and the Policy and Strategy Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Policy and Strategy Committee on 26th July 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Total Audit Fee – code work	£35,625	£35,625	£35,625	£35,625

Accounting and regulatory update

Accounting update

Since the date of our last report to the Policy and Strategy Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Essex Fire Authority
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to: • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented. The Authority is has yet to commence work in this area due to the timing of implementation.

Accounting and regulatory update (continued)

Regulatory update

The following table provides a high level summary of the regulatory developments that have the most significant impact on you:

Name	Summary of key measures	Impact on Essex Fire Authority
Policing and Crime Act 2017	The key measures summarised here are those that are likely to have implications for the audit of the financial statements and the VFM conclusion: • Increase in emergency services collaboration between police bodies, ambulance and fire and rescue services	• Powers introduced to allow increased collaboration between emergency services The Authority has already started to plan for this significant change and we will consider the impact on the financial statements and our VFM conclusion as part of planning for the 2017/18 audit.

Management representation letter

Management Rep Letter

Essex Fire Authority
Audit for the year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of Essex Fire Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Essex Fire Authority as of 31 March 2017 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records
1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are, free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Management Rep Letter (cont.)

B. Fraud
1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations
1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that you have requested from us for the purpose of the audit and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes and papers of the meetings of the Authority, its Audit, Governance and Review Committee and Policy and Strategy Committee held through the year to the most recent meeting held on 26th July 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and disclosed all liabilities, related litigation and claims, both actual and contingent and have disclosed in Note 37 to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

Management Rep Letter (cont.)

F. Subsequent Events
1. Other than the events described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative report and the Governance Statement 2016/17.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets
1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

I. Reserves
1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities
1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, etc., none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Management Rep Letter (cont.)

K. Purchase and Sales Commitments and Sales Terms
1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the 31 March 2017, the Authority had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Authority (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

L. Use of the Work of a Specialist
1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Accounting Estimates (property, plant and equipment and pensions valuations)
1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing fire services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Management Rep Letter (cont.)

N. Retirement benefits
1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours Faithfully,

.....
Mike Clayton
Finance Director and Treasurer

.....
Councillor Anthony Hedley
Chair of Policy and Strategy Committee

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ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service

SUMMARY

MEETING		AGENDA ITEM	
	Policy and Strategy Committee		6
MEETING DATE	26 July 2017	REPORT NUMBER	**EFA/097/17**
SUBJECT	Fleet Workshops		
REPORT BY	The Finance Director & Treasurer, Mike Clayton		
PRESENTED BY	The Finance Director & Treasurer, Mike Clayton		

This paper seeks approval to re-start the agreed project to build a replacement fleet workshops. Three options for the siting of the workshops are proposed and further work to evaluate these will be carried out in conjunction with the Office of the Police and Crime Commissioner.

RECOMMENDATIONS

Members of the Policy & Strategy Committee are asked to:

1. Agree to re-start the project to build a replacement fleet workshop;

2. Agree that options to include co-location with the Police or a joint Police and Fire workshop should be considered in addition to the proposal to build a workshop at Kelvedon Park; and

3. Note that details of the Options and their evaluation will initially be considered by the Emergency Services Collaboration Board.

BACKGROUND

In December 2015 (Paper EFA/105/15) the Authority agreed a project to design and build a new fleet workshops at Kelvedon Park to replace the existing life expired facility at Lexden, Colchester. In November 2016 the Committee agreed to pause the project because of potential conflicting requirements for development at Kelvedon Park. Since then a task group of Officers have been meeting with representatives of the Office of the Police and Crime Commissioner and Essex Police to review the potential for the development of joint workshop facilities, and other options.

The Office of the Police and Crime Commissioner have not agreed to the release of the latest draft report of the outcomes of this work. Further meetings of the working group are planned and the intention is to submit the report to the next meeting of the Emergency

Services Collaboration Board where the Authority is represented by the Chairman and the Acting Chief Fire Officer. At present the details are not yet agreed between all the parties. What is agreed is that a small number of options, including that already approved by the Authority, and the development of either co-located or joint fleet facilities need to be considered and evaluated in more detail.

To enable the Authority to support this more detailed analysis approval is sought to re-open the Fleet Workshops replacement project with an extended remit to consider a range of options including co-location with the police and a joint facility. The original proposal, agreed in 2015 to build a new workshop at Kelvedon Park will remain an option against which alternatives can be considered. Should there be agreement with the Police for a different option to that already agreed by the Authority then this would be brought back to the Authority for approval.

RISK ANALYSIS

The condition of the existing workshops at Lexden, Colchester is a potentially significant risk to the Authority. The overall condition and construction of the building mean that the most practical solution is for a complete replacement and this option was agreed by the Authority in 2015. Clearly the longer the time period before the facility is replaced the higher the likelihood that the risk of loss of the facility will become an issue for the Authority. Maintenance of the existing building continues, but the risk of catastrophic failure will increase over time.

LEGAL IMPLICATIONS

Since April 2017 the Authority has been under a legal duty to collaborate with other emergency services. Collaboration in looking at options for the provision of fleet maintenance facilities helps meet this legal duty.

FINANCIAL AND USE OF RESOURCES IMPLICATIONS

The original project cost remains unchanged at this stage. Options for a joint facility may have different potential costs and funding options that will need to be considered. The proposed approach can be managed within the existing approved funding for the project.

ENVIRONMENTAL IMPLICATIONS

As one of the larger single facilities that the Authority owns, any improvement in key performance costs will make an improvement to the carbon footprint of the Authority.

EQUALITY IMPLICATIONS

A new workshop building will ensure current equality standards in terms of access and facilities are achieved.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
Appendices	
Proper Officer:	Finance Director & Treasurer
Contact Officer:	Mike Clayton, Essex Fire Authority, Kelvedon Park, Witham CM8 3HB. 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk