

ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service



Policy and Strategy Committee

10:00	Wednesday, 21 September 2016	Kelvedon HQ GF/01,
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Quorum: 5

Membership

Councillor A Hedley
Councillor A Holland
Councillor B Aspinell
Councillor A Bayley
Councillor J Chandler
Councillor M Danvers
Councillor C Guglielmi
Councillor C Kent
Councillor A Naylor
Councillor Lady P Newton

Chairman
Vice-Chairman

**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 **Membership of the Committee**

The Committee is asked to note the following changes to its membership, as agreed by Essex Fire Authority at its meeting on 7 September 2016:

- In view of a change to Essex County Council's representation on the Authority arising from a review of that Council's political balance, Councillor Alan Bayley (UKIP) has been appointed to membership of the Committee in place of Councillor Dave Blackwell (Non-Aligned). The revised composition of the Committee is as follows:
10 Members – 6 Conservative, 2 Labour, 1 Liberal Democrat, 1 UKIP
- A formal invitation has been extended to the Essex Police and Crime Commissioner, Roger Hirst, in his capacity as chairman of the Emergency Services Collaboration Strategic Governance Board, to attend all future meetings of the Committee to offer strategic collaboration on agenda items.

2 **Apologies for Absence**

3 **Declarations of Interest**

To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct.

4 **Minutes (part I)**

To approve as a correct record the minutes of the meeting of the Committee held on 22 June 2016

7 - 14

Decision Items

5 **Auditors Report on Accounts**

To receive a report by the Finance Director and Treasurer (EFA/108/16).

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| 6 | 2015-16 Accounts and Annual Governance Statement
To consider a report by the Finance Director and Treasurer (EFA/109/16). | 43 - 116 |
| 7 | Budget Review and Revised 2016-17 Budget
To consider a report by the Finance Director and Treasurer (EFA/110/16). | 117 - 124 |
| 8 | Progressing the Lucas Review Recommendations for Essex Fire Authority Members; specifically in relation to the outcomes of facilitated workshops held February-March 2016 – Update Report
To consider a report by Hannah Cleary, Seconded Member Support (EFA/111/16). | 125 - 130 |

Information Items

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| 9 | Date of Next Meeting
To note that the next meeting of the Committee will take place on Wednesday 2 November 2016 at 10.00 am. |
| 10 | 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.

11 Minutes (part II)

- Information relating to any individual;
- Information relating to any consultations or negotiations, or contemplated consultations or negotiations in connection with any labour relations matters arising between the Authority or a Minister...

12 Urgent Exempt Business

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



**MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY POLICY AND STRATEGY
COMMITTEE HELD ON WEDNESDAY 22 JUNE 2016 AT 10.15 AM**

Present:

Councillor A Hedley	Chairman
Councillor B Aspinell	
Councillor D Blackwell	
Councillor J Chandler	
Councillor C Guglielmi	
Councillor A Holland	Vice-Chairman
Councillor C Kent	
Councillor A Naylor	
Councillor Lady P Newton	

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer and Acting Chief Executive
Dave Bill	Director of Protection, Prevention and Response
Mike Clayton	Finance Director and Treasurer
Roy Carter	Service Solicitor and Deputy Clerk and Deputy Monitoring Officer
Shirley Jarlett	Clerk and Monitoring Officer
Hannah Cleary	Seconded Member Support Officer (for agenda items 7 and 8)
Fiona Lancaster	Committee Officer

Councillors M Hoy and A Turrell were also in attendance.

Apologies for absence were received from Councillor M Danvers and Mark Stagg, Director of Transformation.

1. Declarations of Interest

Councillors A Holland and C Guglielmi declared a personal interest in agenda item 4 (2015/16 Accounts and Governance Statement) in that they are Directors of EFA (Trading) Ltd (minute 3 below refers).

2. Minutes (part I)

The minutes of the meeting held on 16 March 2016 were agreed as a correct record and signed by the Chairman.

3. 2015/16 Accounts and Governance Statement

Councillors A Holland and C Guglielmi declared a personal interest in this item (minute 1 above refers).

The Committee considered report EFA/082/15 by the Acting Chief Fire Officer and Acting Chief Executive 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. The report provided a review of the key governance arrangements and a summary of the key issues from the accounts for 2015/16.

The following points arose from consideration of the report:

- Members noted that there were no significant changes from previous years' Accounts. The Committee was also reassured that the External Auditors had been fully involved with the technical amendments to the Authority's accounting policies.
- Members noted that 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. Further improvement was required in the area of risk assurance and work was already underway to embed compliance with risk management reviews.
- The Committee discussed the provision shown on the balance sheet as a debt to the Government and asked when a decision could be expected from the Home Office. The Acting Chief Fire Officer and Acting Chief Executive reminded Members that the Authority's position had been made clear, and that it was now expecting to receive a decision by the end of July. The delays had been exacerbated by the Elections. The Committee was reassured that the Authority had made provision to pay if requested to do so.
- Members were reassured that there had been no new rule changes by the Government for 2016/17.

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 2015/16.
5. That the Chairman of the Authority and the Acting Chief Fire Officer and Acting Chief Executive be authorised to sign the Annual Governance Statement.

4. Budget Review – May 2016

The Committee considered report EFA/083/16 by the Finance Director and Treasurer which reviewed expenditure against budget as at 31 May 2016 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 under budget as a result of a shortfall in support staff headcount.
- The spend for whole time fire-fighters was marginally above budget. This had been affected by the rate of leavers which had slowed down in the last six months of 2015. Members also noted that the numbers also included retired officer staff costs.
- Members noted the slow start to the year regarding the phasing of budgets, particularly in relation to premises and equipment. Some projects had been deferred until after the completion of the 2020 Programme.

Resolved:

1. That the review of income and expenditure against the budget, together with the actual position with regard to capital expenditure to 31 May 2016 be noted.
2. That a revised budget would be submitted to the Policy and Strategy Committee in September 2016, after the 2020 implementation plan changes were known.

5. HR and Payroll Management Systems Solutions

The Committee considered report EFA/084/16 by the Director of Transformation (presented by the Finance Director and Treasurer) on the strategic approach the Service wished to take in order to support Blue Light Collaboration in the light of reduced central government funding.

Members were reminded that at the last meeting their agreement had been given for preferred Option three (Replacement Project) in the report, but subsequently they had asked for this decision to be re-considered in the light of further information becoming available.

In presenting the report, the Finance Director and Treasurer confirmed that the proposal in Option three was to buy a standard product from a supplier, and that the projected costs of £600k included the cost to buy a new product and to have adequate levels of support staff to implement the new system. The complexity and number of Fire Authority pension schemes meant that the implementation of data rules in connection with these would be where the majority of costs would rest.

The following points arose from consideration of the report:

- Members noted that the Fire Authority had discussed with Essex Police the potential opportunity for future collaboration by allowing both organisations to use one system. Essex Police had confirmed that it was not in a position to support the Fire Authority on its system at this point, and due to the complexities in pay scales, it was unlikely that a common system could be put in place within the next three to four years.
- Members acknowledged that the majority of the work needed to re-configure a new system to handle the complexities with data rules in relation to pay scales and multiple pension schemes would be carried out by the Authority's own staff.
- The Acting Chief Fire Officer and Acting Chief Executive commented that as the SAP was no longer fit for purpose and expensive to maintain it was essential that the Authority moved forward with a new system. A new system could also provide future savings.
- Members questioned what problems could arise with a product supplier if the Authority's own support staff were responsible for the implementation of a re-configured system.
- Members were interested to know what other systems Fire Authorities used and whether these had been bench-marked so that Essex Fire Authority could ensure good value for money when undertaking its own procurement process. The Finance Director and Treasurer commented that there were a number of standard packages available and one would be chosen appropriate to the size of the organisation. Other Fire Authorities used a range of products.
- The possibility of moving to a local Council service provider, and whether another provider would have the appetite or ability to deliver a service for the Fire Authority, particularly for one with multiple levels of complexity relating to pay scales, overtime and pensions.
- There was a general consensus of support for a new system and Members acknowledged that there could be opportunities for the Fire Authority to become a provider of HR and Payroll support to other authorities in the future.

Resolved:

1. That the contents of the report be noted;
2. That, having re-considered the three recommendations provided in EFA Report EFA/042/16 presented to the Policy and Strategy Committee on 16 March 2016, the Members re-confirmed that the approach within Option Three for a HRMS replacement project be supported.

6. Proposed approach for the independent review of progress made against the Lucas Review recommendations

The Committee considered report EFA/085/16 by Councillor A Holland which provided details on a number of recommendations for the consideration of Essex Fire Authority regarding how the progress made since the publication of Irene Lucas' review of culture could be independently assessed in line with recommendation 35 of her report published in September 2015.

Members supported the proposed approach for an independent review of progress, and noted the Terms of Reference and recommended timetable for the review. The Committee also acknowledged the proposed communication of the review's findings.

Resolved:

1. That Sir Ken Knight be appointed to undertake a short, independent review of progress against the Lucas Review recommendations on 27 and 28 July 2016 at Kelvedon Park HQ;
2. That the proposed approach for the review as set out in the report by the Essex Fire Authority be approved.

7. Progressing the Lucas Review recommendations for Essex Fire Authority Members; specifically in relation to the outcomes of facilitated workshops held February - March 2016

The Committee considered report EFA/086/16 by Hannah Cleary, seconded Member Support Officer, setting out a range of options on how to progress the outcomes from facilitated workshops which had taken place earlier in 2016 with the purpose of supporting the Lucas Review recommendations specifically pertaining to Essex Fire Authority Members.

Members discussed the outcomes of the facilitated sessions as set out in the report and agreed that it was important that the subsequent work to progress these was both Member-led and provided the opportunity for all Members of the Fire Authority to be involved in shaping the resulting findings and recommendations. In light of both of these requirements, the Committee agreed that at least one small working group should be established from the current Essex Fire Authority Membership to review the following four areas, and make relevant and robust findings and

recommendations for subsequent agreement and implementation by the full Fire Authority:

- i) Clarification of the roles and responsibilities of Members and Officers;
- ii) Developing the role of Members in providing appropriate challenge (scrutiny);
- iii) Member induction and ongoing development programme; and,
- iv) Communications and engagement.

Initial scopes for the reviews pertaining to these four areas were set out within the report and also agreed by Members; although it was accepted that the scope of these reviews may expand as work progressed as well as potentially lead to the identification of further topics that could be considered for review by Members.

The working group/s would be supported by the seconded Member Support Officer who would issue an invite to all Members seeking expressions of interest to participate in the ongoing work and arrange a number of meeting dates to commence the reviews; the importance of keeping the full Fire Authority apprised of progress throughout was recognised.

The Committee indicated its continued interest in webcasting meetings. The Acting Chief Fire Officer and Acting Chief Executive reported that webcasting had been used at the June Fire Authority meeting, but that there were quite significant costs involved. This was a topic which would be explored in more depth by the Communications and engagement working group.

Resolved:

1. That the SOLACE action plan as set out at Appendix 1 be noted;
2. That at least one working group be established from the Membership of the Fire Authority to progress the outcomes from facilitated workshops in relation to the below four areas:
 - i) Clarification of the roles and responsibilities of Members and Officers;
 - ii) Developing the role of Members in providing appropriate challenge (scrutiny);
 - iii) Member induction and ongoing development programme; and,
 - iv) Communications and engagement.
3. That the initial scope for the four areas of review as set out in the report be agreed, subject to the potential for expansion of the initial scopes and subsequent identification of further topics as work progresses in the future;
4. That the working group/s will be fully supported by the seconded Member Support Officer. The seconded Member Support Officer will initially seek expressions of interest from Members wishing to participate in the working

group/s and will also ensure that the full Fire Authority are kept apprised of ongoing progress;

5. That any findings and recommendations made by any working group/s are brought to a future meeting of the full Fire Authority for agreement.

8. Date of Next Meeting

It was noted that the next meeting of the Committee would take place on Wednesday 21 September 2016 at 10.00 am.

9. Exclusion of the Press and Public

Resolved:

That having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following items of business on the grounds that it involved the likely disclosure of exempt information as specified in paragraphs 1 and 4 of part 1 of Schedule 12A of the Local Government Act 1972.

10. Minutes (part II)

The confidential minutes of the meeting held on 16 March 2016 were agreed as a correct record and signed by the Chairman.

11. Management Review

The Committee considered EFA/087/16 which provided information on the current situation and ongoing activities regarding the management review.

Resolved:

That the report on the current position and ongoing activities be noted.

12. Urgent Business

The Committee noted one Member request in relation to the work of the Principal Officers HR Committee

(Please note that a fuller record is set out in the confidential minutes of the meeting).

The meeting closed at 11.45 am.

Chairman
21 September 2016

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

Policy and Strategy Committee

AGENDA ITEM

5

MEETING DATE

21 September 2016

REPORT NUMBER

EFA/108/16

SUBJECT

Auditor's Report on Accounts

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

Deputy Finance Director, Glenn McGuinness

SUMMARY

To consider the attached report prepared by Ernst and Young, which summarises the findings from the 2015/16 audit.

Essex Fire Authority

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

9 September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and 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 from 1 April 2015’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Policy and Strategy Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Essex Fire Authority for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix A we will issue an audit opinion in the form which appears in Appendix D.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>The Authority is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Authority is below the threshold.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have not identified any audit differences within the draft financial statements, which management have chosen not to adjust.</p> <p>Our audit identified some minor disclosure differences which our team have highlighted to management for amendment. These have been corrected during the course of our work. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our Audit Plan presented at the meeting of the Audit, Governance and Review Committee on 20 April 2016, we communicated that our audit procedures would be performed using a materiality of £2.223 million. We have reassessed this based on the actual results for the financial year and have reduced this amount to £1.958 million.</p> <p>The threshold for reporting uncorrected audit differences which impact the financial statements has also reduced from £0.111 million to £0.098 million.</p> <p>The basis of our assessment is 2% of gross operating expenditure. Our materiality has been reduced as a result of expenditure reducing in 2015/16 compared to 2014/15.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> • <i>Remuneration disclosures including any severance payments, exit packages and termination benefits:</i> Our audit strategy was to check

the bandings reported in Notes 25 and 31 of the financial statements, test the completeness of the disclosure and compliance with the Code requirements. We sample checked transactions back to the payroll system and supporting documentation. We have completed our work and did not identify any issues.

- *Related party transactions:* Our audit strategy was to obtain and review declarations from senior officers and members of the Authority and review for any material disclosures. We also confirmed that the disclosure in Note 27 complied with the Code requirements. We undertook a sample check of contracts included on the Authority's contracts register against Companies House records to identify whether any key decision makers within the Authority had an interest in the companies with which the Authority had contracts. We have completed our work and did not identify any issues.
- *Members Allowances:* Our audit strategy was to test the completeness of the disclosures within Note 24 and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and other relevant supporting documentation. We have completed our work and did not identify any issues.

We carried out our work in accordance with our Audit Plan.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- risk of management override;
- risk of fraud in revenue recognition; and
- Milne v Government Actuaries Department (GAD).

We have not yet completed our audit procedures to address these risks, but have no issues to report on the work completed to date. We will report any findings arising from the completion of this work to the Policy and Strategy Committee on 21 September 2016.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Kevin Suter
 Executive Director
 For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Authority's responsibilities

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

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 are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our audit approach focussed on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions. 	<p>We have carried out sample testing on journals and this work has not identified any issues or matters for reporting.</p> <p>Our work on accounting estimates and unusual transactions has not identified any management bias or matters for reporting.</p> <p>We did not identify any matters that we need to bring to your attention</p>
<p>Risk of fraud in revenue recognition</p> <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>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 the manipulation of expenditure recognition.</p> <p>For 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.</p>	<p>During the course of our audit we have:</p> <ul style="list-style-type: none"> ▶ Reviewed and tested the Authority's revenue and expenditure recognition policies. ▶ Reviewed and tested revenue cut-off at the period end date. ▶ Tested capital expenditure on property, plant and equipment to ensure it meets the definition of capital expenditure as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code). 	<p>We have carried out sample testing on income streams and this work has not identified any issues or matters for reporting.</p> <p>Our work on expenditure streams is currently being completed. This work will include agreeing the amounts to supporting documentation for reasonableness and business purpose.</p> <p>We will provide an update and any findings at the Policy and Strategy Committee meeting.</p> <p>Our sample testing of income and expenditure transactions at the period end date found that transactions had been recorded in the correct period.</p> <p>Our sample testing of capital additions found that expenditure on property, plant and equipment met the relevant accounting requirements to be capitalised.</p>

Milne v Government Actuaries Department (GAD)

Following the determination of the case of Milne v GAD in May 2015 by the Pensions Ombudsman, Essex Fire Authority is required to make payments to those individuals affected by the judgement.

This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The total value of payments which are due to be paid before 31 March 2016 is expected to be material. The payments are expected to be funded by the Department for Communities and Local Government (DCLG) through the top up grant. Therefore there will be no overall impact on the financial position of the Authority. The accounting arrangements for these payments have not yet however been determined.

Our audit approach focussed on:

- ▶ Testing a sample of payments made to affected individuals during 2015-16; and
- ▶ Reviewing the accounting treatment and associated disclosures within the Authority's statement of accounts as well as in the Firefighters' Pension Fund Account.

Our work on the payments is currently being completed. This work will include sample testing the payments to supporting documentation and recalculating the amount paid.

We will provide an update and any findings at the Policy and Strategy Committee meeting.

Our review of the income received, accounting treatment and associated disclosures found that the transactions had been correctly disclosed in the financial statements of the Authority and the Firefighters' Pension Fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Authority's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report at this stage of our audit.

Control themes and observations

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.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

Request for written representations

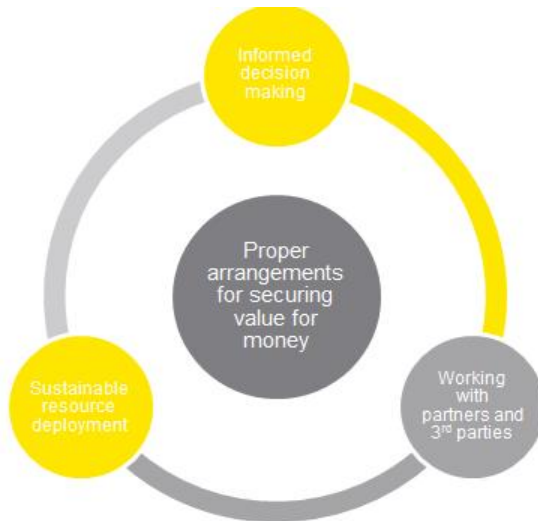
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

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 are specified by the National Audit Office.

The Authority is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Authority is below the threshold.

4. Value for money



We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its 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.

Overall conclusion

We identified two significant risks in relation to these criteria, and performed the procedures outlined in our Audit Plan. Our overall findings are set out in the table below.

Sustainable resource deployment: Achievement of savings needed over the medium term

Identified risk

The Authority faces significant financial challenges and has identified that they will face a £8 million reduction in revenue support grant over the spending review period to 2019-20.

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.

We have considered:

- ▶ The robustness of any assumptions used in the 2016-17 annual budget.
- ▶ The Authority's progress in identifying sources of savings and efficiencies to meet the pressures of future reductions in funding.
- ▶ The adequacy of future levels of reserves.
- ▶ The Authority's arrangements for longer term financial planning, taking into account any relevant information from progress of Programme 2020.
- ▶ The options being considered and the decisions taken, which support the Service as it seeks to deliver significant organisational change and transformation.

The key findings and factors considered included:

Programme 2020

Essex Fire Authority commenced Programme 2020 in February 2016 and generated a range of options, of which three were approved for wider consultation.

On 8 June 2016, the Fire Authority resolved to support the proposals included in Option 2, which was overwhelmingly supported in the consultation. 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 proposals have started to be implemented with the removal of second fire engines from operational service at some fire stations and transition of crewing arrangement to On-Call.

The decision, and implementation, gives us assurance that the arrangements put in place before the 31 March 2016 were adequate.

As part of Programme 2020, the Authority wants to avoid or minimise compulsory redundancies. Therefore, eligible uniformed staff have been offered an early exit opportunity. However, this will put pressure on the budget in the short-term.

The option includes proposals to broaden the role of firefighters and invest in prevention and protection. The Authority is also seeking different ways in working in partnerships with other agencies, such as CCGs and developing plans for further collaboration with Essex Police.

Budget and efficiency plans

The Authority's efficiency plans are based on the assumption that Council Tax will increase by 2% annually until 2019/20. However, the Authority has recognised in its efficiency plans that it still faces financial challenges of £14.7 million from 2016/17 to 2019/20.

As well as operational effectiveness, Programme 2020 considers the financial position. Plans indicate that the reduction in the number of fire engines and the crewing changes will generate a net £6.4 million of savings by 2020. Further savings of £2 million have been identified from areas such as management review during 2016/17 and collaboration and integration from 2017. The total savings assumptions reduce the budget pressure to £2.7 million from 2016/17 to 2019/20.

In order to balance the budget, the Authority has resolved to use reserves to support the one-off costs of early exit options in 2016/17 and the transition to On-Call firefighters in 2017/18 and 2018/19. The efficiency plans include annual transfers to reserves of £0.303 million to normalise reserves and ensure they remain at a stable level of £12 - £13 million between 2016/17 and 2019/20.

Conclusion:

We have concluded that the Authority's arrangements are adequate.

Informed decision-making: Progress on the delivery of the work programme required to improve the culture within ECFRS

Identified risk

The report of the Independent Cultural Review of Essex County Fire and Rescue Service, received by the Authority on 2nd September 2015, made 35 recommendations to improve the culture in the organisation.

A number of other resolutions were also agreed by the Authority.

Failure to effectively address the issues identified within the Independent Review of Culture present significant risks to the Service and the Authority, not least, as the report suggests, that without significant change employees and communities may be at risk.

We have considered the:

- ▶ Authority's progress on the implementation of the recommendations and resolutions required to improve the culture within ECFRS.
- ▶ Monitoring arrangements and reporting progress to members of the Strategic Management Board and Members of Essex Fire Authority.
- ▶ The integration of the Authority's response with Programme 2020.

The key findings and factors considered included the following.

Irene Lucas CBE conducted a review into organisational culture at Essex County Fire and Rescue Service during 2015. Her final report and recommendations were published in September 2015. The report set out 35 recommendations, one of these being that a progress review should be undertaken.

Essex Fire Authority invited Sir Ken Knight to undertake this work, which was conducted at the end of July. The report concluded the following:

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. However, while good progress has been made in respect of laying groundwork and foundations, there is still some way to go to build on this work and embed change throughout the Authority and Service.

There remains significant scope for the lessons to be learned from the work that the Authority and the Service have undertaken to address organisational culture to be shared more widely with other fire and rescue services.

Some specific areas remain uncertain and are undoubtedly hindering some of the necessary progress; particularly in relation to ongoing historical employment issues. Whilst it can be tempting to demand immediate resolution of these matters; it is important that due process is allowed to continue in order to ensure that all matters are dealt with fairly; particularly given their complex nature. For this reason it is necessary for a progress review to be completed during the autumn of 2016 to seek an update on resolution of historical employment issues.

While Sir Ken Knight's review was undertaken after the 31 March 2016, this gives us assurance over the arrangements that the Authority put in place. We have also seen evidence that progress is being made to implement the recommendations from the culture review and integrate these with Programme 2020

Conclusion:

We have concluded that the Authority's arrangements are adequate.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Other matters to bring to you attention

We have no other matters to bring to your attention.

Appendix A – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Other outstanding work	Management and EY to work together to complete any outstanding work on: <ul style="list-style-type: none"> • expenditure account testing • payments testing on Milne v Gad transactions • final Director and Manager review of the audit work • review of the final version of the financial statements 	EY and management
Annual accounts	<ul style="list-style-type: none"> • Correction of any misstatements identified by EY. • Approval of accounts by the Policy and Strategy Committee. • Accounts re-certified by RFO. 	EY, management and Policy and Strategy Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Management representation letter	Receipt of signed letter of representation	Management and Policy and Strategy Committee

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 31 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Policy and Strategy Committee on 21 September 2016.

We confirm that we have met the reporting requirements to the Policy and Strategy Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 31 March 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	35,625	35,625	

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Essex Fire Authority for the year ended 31 March 2016 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 39; and

include the firefighters’ pension fund financial statements comprising the:

- Fund Account;
- Net Assets Statement;
- 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 2015/16.

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 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 Essex Fire Authority 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in Essex Fire Authority 2015/16 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 to you 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 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2016.

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, 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 2016.

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

September 2016

Appendix E – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Kevin Suter
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Kevin,

Essex Fire Authority Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Essex Fire Authority ("the Authority") for the year ended 31 March 2016. 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 true and fair view of the Authority financial position of Essex Fire Authority as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 2015/16.
2. We acknowledge, as members of management of the Authority, 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, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. 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. As members of management of the Authority, 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 2015/16, 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.

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 Authority's financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the Authority's financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance 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;
 - 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 minutes of the meetings of the Authority and all committees, including the Audit, Governance and Review Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared held through the to the most recent meeting on the following date: xxx
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 period 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/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the results of the EU referendum 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. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property, Plant and Equipment and Pension Liabilities 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.

H. Estimates for Property, Plant and Equipment and Pension Liabilities

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 2015/16.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pension liabilities appropriately reflect our intent and ability to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year 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 2015/16.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

I. 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 Sincerely,

Finance Director and Treasurer (s151 Officer)

I confirm that this letter has been discussed and agreed at the Policy and Strategy Committee on 21 September 2016

Chairman of Policy and Strategy Committee

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 in aggregate, that indicated there could be doubt about Essex Fire Authority's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ 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 ▶ In writing, corrected misstatements that are significant 	Audit Results Report.
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management and those charged with governance. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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MEETING

AGENDA ITEM

**Policy and Strategy
Committee**

6

MEETING DATE

21 September 2016

REPORT NUMBER

EFA/109/16

SUBJECT

2015/16 Accounts and Annual Governance Statement

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

Deputy Finance Director, Glenn McGuinness

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 letter of Representation and authorise the Chairman to sign it on the Committee's behalf; and
- Authorise the Chairman to sign the Statement of Accounts.

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.

CHANGES TO THE ACCOUNTS

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016, an addition to Note 5 "Events after the Balance Sheet date" has 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.

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 - 2015/16 Statement of 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

2015/16 ACCOUNTS

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NARRATIVE REPORT

BY THE FINANCE DIRECTOR & TREASURER

1 Introduction

The Authority's financial performance for the year ended 31 March 2016 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 2015/16. 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 2015/16 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 2015/16 comprise:

2.1 Movement in Reserves Statement

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

2.2 Comprehensive Income and Expenditure Statement

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

2.3 Balance Sheet

The Balance Sheet, as set out on page 31, shows the value at the end of the year of the assets and liabilities recognised by the Authority. The net liabilities of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold

timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

At the year end the Authority had **£109.3m** 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 **£6.9m** and the earmarked reserves decreased by **£2.4m** to **£5.4m**.

2.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 32, shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

3 Firefighters' Pension Fund

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

3.1 Firefighters' Pension Fund Account

The statement as set out on page 63 summarises the Firefighters' Pension Fund financial transactions for the year.

During the year 47 wholetime firefighters retired from the Service. As a result the payment of lump sums was **£3.6m** in 2015/16 compared to **£3.4m** in 2014/15. The amount due from the Department for Communities and Local Government was **£1.7m** at 31 March 2016.

3.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 63 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 2015/16 the Authority's total planned net expenditure was **£72.7m**. The final position for the year was a transfer to reserves of **£0.8m**. The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

Just over half (56%) 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.

	Latest Approved Budget £000	Actual Expenditure £000	Variance overspend/ (underspend) £000
2015/16			
Net Revenue Expenditure			
Firefighters	32,796	33,075	279
Firefighters - Retained Duty System	5,208	5,514	306
Control staff	1,401	1,282	(119)
Support staff	11,386	11,192	(194)
Total Employment Costs	50,791	51,063	272
Support costs	2,997	2,932	(65)
Premises & Equipment	10,311	10,181	(130)
Other costs & services	3,969	4,241	272
Ill health pension costs	2,000	2,102	102
Statutory provision for Capital Financing	6,070	3,610	(2,460)
Financing items	1,807	1,742	(65)
Contribution to/(from) Reserves	(791)	793	1,584
Total Other Costs	26,363	25,601	(762)
Total Gross Expenditure	77,154	76,664	(490)
Operational Income	(4,424)	(4,958)	(534)
Total net expenditure outturn	72,730	71,706	(1,024)

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

Overall employment costs were **£0.3m** (0.5%) over budget for the year.

The Authority continued to operate a freeze on the recruitment of full time firefighters. A combination of fewer firefighters electing to retire than budgeted and an overspend on retained firefighters, as a result of providing additional cover during periods of industrial action, are offset by underspends on control and support staff.

The underspending on the statutory provision for capital financing is mainly as a result of releasing a specific capital receipt reserve of **£2.0m**.

5 Capital expenditure

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

2015/16	Approved Capital Expenditure £000	Actual Capital Expenditure £000	Variance overspent / (underspent) £000
Property	2,461	1,367	(1,094)
Vehicles	4,971	3,312	(1,659)
Information Systems & Equipment	2,023	1,986	(37)
Total capital payments	9,455	6,665	(2,790)
Internal Resources	9,455	6,665	(2,790)
Total capital funding	9,455	6,665	(2,790)

We invested **£1.3m** in our property portfolio mainly on fire stations and training facilities. This included a reduction in accrued costs for Kelvedon Park of **£0.4m**. In addition there was spend of **£2.0m** on ICT and operational equipment and **£3.3m** on vehicles.

At 31 March 2016 the Authority had capital expenditure commitments of **£5.4m**.

6 Events after the Balance Sheet date

On 6 May 2016 the sale of the former headquarters site, Hutton, was completed at a sale price of **£8.5m**. As at 31 March 2016 this asset was held on the balance sheet as an asset held for sale.

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 **£4.0m**, leaving the total loans at year end at **£29.5m**. This includes **£1.5m** of short term loans due for repayment in 2016/17. 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 **£47.6m** 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 2016.

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 **£514k** to the company for the year to 31 October 2016 with **£214k** of this treated as an expense in 2015/16.

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 2015/16.

11 Financial Reporting Manual (FRM)

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 2015/16 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 2016/17 was approved by the Fire Authority in February 2016 and reflects a reduction in the total budget from **£71.8m** (2015/16) to **£71.3m** (2016/17). The service has already made efficiency savings to enable this reduction to be absorbed and produce a balanced budget for 2016/17.

The budget for 2016/17 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.

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

The level of reserves at 31st March 2016 is **£12.2m**. The level of general and earmarked reserves is particularly important and will help the Authority deal with the exceptional costs likely to result from organisational change by 2020.

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 2016 the Authority employs 1,489 people comprising 718 wholetime and 478 retained firefighters, 32 control staff and 261 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.

The report is available at: http://www.essex-fire.gov.uk/img/pics/pdf_1441197562.pdf

In October 2015 the Authority accepted the 35 recommendations made in the review and appointed an Independent Advisory Panel to support Members and Officers in their implementation.

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 2015 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 Glossary

A glossary of accounting terms is provided on pages 65 to 72 to assist the reader.

20 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).

Signed by Mike Clayton
Finance Director and Treasurer to the Fire Authority
13 June 2016.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required to:

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

The Finance Director and Treasurer's responsibilities

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

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

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

The Finance Director and Treasurer has also:

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

The Finance Director & Treasurer's certificate

I certify that the Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code and present a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Signed by Mike Clayton
Finance Director and Treasurer to the Fire Authority
13 June 2016

GOVERNANCE STATEMENT

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards of conduct, probity and professional competence, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

Review of Effectiveness

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

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

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

In addition, the Fire Authority's Internal Auditor has responsibility to review and report to the Authority's Audit, Governance and Review Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's arrangements for governance, risk management and control. An overall positive opinion was given for 2015/16. 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 controls and the key financial controls.

The Audit, Governance and Review Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place. In addition, in 2015.16, following the review of the Authority's culture by Irene Lucas the Authority appointed an Advisory Panel to support Members and Officers in the implementation of actions in response to the 35 recommendations made.

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 made a number of recommendations concerning the governance of the Authority. Ten of the 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 a Steve McGuirk CBE a former Chief Fire Officer, to support Members and Officers in the implementation of actions to address the recommendations made. The Advisory Panel meets formally with lead Members and Officers on a monthly basis with 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 run a series of workshops to develop an action plan to strengthen the role of Members in the governance of the Authority.

A number of areas were identified in the 2014/15 governance statement for further development. The most significant areas and the actions undertaken are summarised below:

Area	Actions
Completion of an action plan to address lack of assurance in Corporate Risk and Business Continuity	Additional resources were used to support departmental managers in ensuring that there were regular reviews of risks and control measures and that testing and reviews of business continuity plans were undertaken. Internal Audit confirmed that progress has been made, but further work to address the recommendations will continue in 2016/17.
The level of reserves and the approach to investment of surplus cash balances	The policy in relation to Reserves was reviewed by the Audit, Governance and Review Committee in October 2015. The Committee resolved that no changes be made to the Authority's policy in respect of investment, cash holdings and reserves.
The 2020 programme of Service re-design	Progress reports on the 2020 Programme have been submitted to the Audit, Governance and Review Committee. In addition, lead Members of the Authority sit on the Programme Board.

For 2016/17 the main focus remains the completion of the action plan to address the recommendations in the Lucas report, and the continued development of assurance around risk management.

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: By Cllr Hedley

Chairman, Essex Fire Authority

Signed: By A Eckley

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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

10 Cash and Cash equivalents

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

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

11 Property Plant and Equipment

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

11.1 Recognition

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

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

11.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price;

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

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

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

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

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

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

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

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

11.3 Impairment

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

carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

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

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

11.4 Depreciation

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

Depreciation is calculated on the following bases:

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

A full year's depreciation is charged in the year of acquisition of an asset and no depreciation is charged in the year of disposal. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

11.5 Statutory charge for capital financing

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

11.6 Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at 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.

12 Operating Leases

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

13 Inventories and Long Term Contracts

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

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

14 Government Grants and Contributions

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

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

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

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

15 Employee Benefits

15.1 Benefits Payable During Employment

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

15.2 Termination benefits

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

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

15.3 Post-employment benefits

The Authority participates in three different pension schemes:

15.4 Local Government Pension Scheme

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

The LGPS is accounted for as a defined benefits scheme

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

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

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

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

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

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

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

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

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

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

Benefits paid – payments to discharge liabilities directly to pensioners.

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

required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

15.5 Firefighters' pension schemes

There are 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.

15.6 Retained firefighters' pension scheme

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

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

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

16 Financial Instruments

16.1 Financial Liabilities

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

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

16.2 Financial Assets

Financial assets are classified into two types:

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

16.3 Loans and Receivables

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

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

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

16.4 Available for sale assets

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

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

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

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

17 Value added tax (VAT)

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

ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	3,742	7,843	-	2,020	13,605	(639,708)	(626,103)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(21,225)	-	-	-	(21,225)	-	(21,225)
Other Comprehensive Income and Expenditure	-	-	-	-	-	45,281	45,281
Total Comprehensive Income & Expenditure	(21,225)	-	-	-	(21,225)	45,281	24,056
Adjustments between accounting basis & funding basis under regulations (Note 8)	21,853	-	-	(2,020)	19,833	(19,833)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	628	-	-	(2,020)	(1,392)	25,448	24,056
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)

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	2,574	9,929	35	1,970	14,508	(542,088)	(527,580)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(30,470)	-	-	-	(30,470)	-	(30,470)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(68,053)	(68,053)
Total Comprehensive Income & Expenditure	(30,470)	-	-	-	(30,470)	(68,053)	(98,523)
Adjustments between accounting basis & funding basis under regulations (Note 8)	29,552	-	(35)	50	29,567	(29,567)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(918)	-	(35)	50	(903)	(97,620)	(98,523)
Transfers to or (from) earmarked reserves	2,086	(2,086)	-	-	-	-	-
Increase (Decrease) in Year	1,168	(2,086)	(35)	50	(903)	(97,620)	(98,523)
Balance at 31 March 2015	3,742	7,843	-	2,020	13,605	(639,708)	(626,103)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

AS AT 31 MARCH 2016

2014/15 Net £000		2015/16		Net £000
		Expenditure £000	Income £000	
	Community Safety			
6,273	Statutory inspection, certification and enforcement	5,586	(308)	5,278
9,298	Prevention and education	9,069	(798)	8,271
	Fire Fighting and Rescue Operations			
51,853	Operational responses	45,271	(2,414)	42,857
8,176	Communications and mobilising	6,475	(512)	5,963
845	Securing water supplies	876	(132)	744
787	Fire Service Emergency Planning and Civil Defence	1,346	(676)	670
	Corporate and Democratic Core			
835	Democratic representation and management	1,128	(19)	1,109
82	Corporate management	67	(1)	66
62	Non distributed costs	3,549	-	3,549
78,211	Deficit on Continuing Operations	73,367	(4,860)	68,507
	Other Operating Expenditure			
(50)	(Gain) or loss on Disposal of Fixed Assets			(14)
15	Pension administration costs			18
	Financing and Investment Income and Expenditure			
1,652	Interest payable on debt			1,492
-	Interest element of finance leases			-
26,334	Net interest on the net defined benefit liability (asset)			23,040
(109)	Investment interest income			(98)
	Taxation and Non-Specific Grant Income			
(19,164)	Revenue Support Grant			(16,303)
(14,755)	National Non-Domestic Rates			(15,053)
(38,775)	Council Tax & NDR deficit			(40,364)
(2,889)	Capital Grant			-
30,470	(Surplus) or Deficit on Provision of Services			21,225
(5,348)	(Surplus) or deficit on revaluation of non current assets			(7,969)
73,401	Remeasurements of the net defined benefit liability (asset)			(37,312)
68,053	Other Comprehensive Income and Expenditure			(45,281)
98,523	Total Comprehensive Income and Expenditure			(24,056)

BALANCE SHEET

AS AT 31 MARCH 2016

31 March 2015 £000		Notes	31 March 2016 £000
	Property, Plant & Equipment	10	
92,460	Land and Buildings		95,366
10,683	Vehicles, plant and equipment		12,640
907	Fixed assets under construction		1,101
2,105	Surplus Assets		-
128	Long Term Investments	33	168
106,283	Long Term Assets		109,275
635	Inventories	13	595
5,326	Short Term Debtors	14	6,834
25,557	Cash and Cash Equivalents	15	16,189
-	Assets held for sale	16	8,426
31,518	Current Assets		32,044
(4,307)	Short Term Borrowing		(1,763)
(21,921)	Short Term Creditors	17	(19,965)
(315)	Grants Receipts in advance	18	(292)
(26,543)	Current Liabilities		(22,020)
(29,500)	Long Term Borrowing	12	(28,000)
(856)	Provisions	19	(1,256)
(707,005)	Other Long Term Liabilities	32	(692,090)
(737,361)	Long Term Liabilities		(721,346)
(626,103)	Net Liabilities		(602,047)
	Usable Reserves		
3,742	General Fund		6,859
7,843	Earmarked General Fund Reserves		5,354
-	Capital Grants Unapplied		-
2,020	Capital Receipts Reserve		-
13,605	Usable reserves	20	12,213
	Unusable Reserves		
10,582	Revaluation Reserve		18,408
57,589	Capital Adjustment Account		60,120
(650)	Holiday Pay Account		(487)
(224)	Collection Fund Adjustment Account		(211)
(707,005)	Pension Reserve		(692,090)
(639,708)	Unusable Reserves	21	(614,260)
(626,103)	Total Reserves		(602,047)

These financial statements replace the unaudited financial statements certified by Mike Clayton on 13 June 2016.

Signed by Mike Clayton
Finance Director and Treasurer to the Fire Authority
Authorised for issue date: 5 September 2016

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

2014/15 £000	Note	2015/16 £000
30,470	Net (surplus) or deficit on the provision of services	21,225
(40,466)	22 Adjustment to surplus or deficit on the provision of services for non-cash movements	(21,937)
(50)	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	-
-	EFAT Trading Ltd loan repayment	-
(10,046)	Net cash flows from operating activities	(726)
7,082	Net cash outflows from investing activities	6,094
-	Purchase of assets	-
4,000	Net cash outflows from financing activities	4,000
1,036	Net (increase)/decrease in cash and cash equivalents	9,368
(26,593)	Cash and cash equivalents at the beginning of the reporting period	(25,557)
(25,557)	Cash and cash equivalents at the end of the reporting period	(16,189)

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 2015/16.

1 Significant accounting policies

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

2 Accounting standards that have been issued but not adopted

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

- Amendments to IAS 19 Employee Benefits
- Annual Improvements to IFRSs 2010 – 2012 cycle
- Amendment to IFRS 11 Joint Arrangements
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2012 – 2014 cycle
- Amendment to IAS 1 Presentation of Financial Statements
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

3 Critical judgements in applying accounting policies

The most significant critical judgement made in the statement of accounts is concerning the impact of the uncertainty about future levels of funding for the Authority. The Authority has made service changes that are sufficient to enable the budget to be balanced in 2015/16. The Authority has no reason to believe that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision in future years.

The Authority has also made judgements in the apportionment of costs across the Service headings contained within the Comprehensive Income and Expenditure Statement.

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.

4 Service analysis

The Chartered Institute of Public Finance & Accountancy Service Reporting Code of Practice places a mandatory requirement on Fire and Rescue Authorities to present the service analysis in a standard form. The aim of the Code is to increase consistency and comparability

between authorities. The Comprehensive Income and Expenditure Statement has been presented in this standard format.

5 Events after the Balance Sheet date

On 6 May 2016 the sale of the former headquarters site, Hutton, was completed at a sale price of **£8.5m**. As at 31 March 2016 this asset was held on the balance sheet as an asset held for sale.

Following the majority vote to end the UK’s membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody’s) took action on the UK Sovereign credit rating and, following the rating action on the UK Government, the Authority has assessed the impact of the referendum result.

In this context, it does not receive any funding directly from the European Union (EU) and is not exposed to any material risk from EU investments. In addition, as the Authority is not exposed to any risk resulting from investment in property development there would not be any impact on our balance sheet if confidence in the wider UK property market falls. Although our assessment is that the net assets of the Authority are well protected, it is too early to quantify any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

The statement of accounts was authorised for issue by the Finance Director & Treasurer on 5 September 2016.

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 2016 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 £56k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions/judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and expected return on assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The carrying value of the pension liability as at 31 March 2016 is £731,220k. The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 32.5.
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 2016 is £1,256k. If provisions were overstated by 10% the provision would reduce by £126k.

7 Material items of income and expenditure

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form. The Ombudsman found in favour of the plaintiff, which meant that for all Firefighters Pension Scheme 1992 cases where pension entitlements were drawn between 1 December 2001 and 22 August 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD.

Revised lump sum calculations were carried out and payments totalling **£2.2m** were made during 2015/16. DCLG issued pension grant of **£2.4m** to offset these payments and both amounts have been passed through the Firefighters' Pension Fund Account (page 62).

During the year the Authority incurred redundancy and early retirement costs of **£1,076k**. 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.

2015/16	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Emergency Planning Reserve	
	£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)	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 repayment 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)

Adjustments between accounting basis and funding basis under regulations

2014/15 Comparative figures	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	
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)	26,500	-	-	-	(26,500)
Council tax and NDR (transfers to or from Collection Fund)	558	-	-	-	(558)
Holiday pay (transferred to the Accumulated Absences Reserve)	186	-	-	-	(186)
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)	7,997	-	(35)	-	(7,962)
Total Adjustment to Revenue Resources	35,241	-	(35)	-	(35,206)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(50)	50	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,639)	-	-	-	5,639
Total Adjustments between Revenue and Capital Resources	(5,689)	50	-	-	5,639
Total Adjustments	29,552	50	(35)	-	(29,567)

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.

2015/16	Balance at 1 April	Provisions 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
Insurance Reserve	1,500	-	(1,250)	250
Total	7,843	63	(2,552)	5,354

2014/15	Balance at 1 April	Provisions made in year	Transfer to General Fund	Balance at 31 March
Earmarked General Fund Reserves:	£000	£000	£000	£000
Emergency Planning Reserve	315	50	-	365
Retained Pay Reserve	1,500	-	(900)	600
Spend to Save Reserve	2,930	-	(1,799)	1,131
Taxbase and Collection Account Reserve	1,000	-	(500)	500
National Non-Domestic Rates Collection Reserve	600	-	-	600
Infrastructure Reserve	1,000	1,400	-	2,400
Rolling Budgets Reserve	584	147	(484)	247
Business Continuity Reserve	500	-	-	500
Insurance Reserve	1,500	-	-	1,500
Total	9,929	1,597	(3,683)	7,843

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.

	Land and buildings	Vehicles, plant & equipment	Assets under construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
2015/16					
Cost or valuation					
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 2015	95,366	12,640	1,101	-	109,107
At 31 March 2014	92,460	10,683	907	2,105	106,155

	Land and buildings	Vehicles, plant & equipment	Assets under construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
2014/15					
Cost or valuation					
At 1 April	87,328	28,079	6,420	-	121,827
Transfer from FAUC	6,296	124	(6,420)	-	-
Additions	4,947	2,856	907	-	8,710
Impairments	(2,545)	-	-	-	(2,545)
Reclassifications	(2,105)	-	-	2,105	-
Revaluation increases/(decreases) to Revaluation Reserve	5,348	-	-	-	5,348
Revaluation increases/(decreases) to surplus or deficit on the provision of services	(3,838)	-	-	-	(3,838)
Disposals	-	(1,256)	-	-	(1,256)
Reversal of accumulated depreciation on revaluation	(2,971)	-	-	-	(2,971)
At 31 March	92,460	29,803	907	2,105	125,275
Depreciation and impairment					
At 1 April	1,259	17,585	-	-	18,844
Depreciation charge	1,712	2,791	-	-	4,503
Reversal of accumulated depreciation on revaluation	(2,971)	-	-	-	(2,971)
Disposals	-	(1,256)	-	-	(1,256)
At 31 March	-	19,120	-	-	19,120
Net Book value					
At 31 March 2014	92,460	10,683	907	2,105	106,155
At 31 March 2013	86,069	10,494	6,420	-	102,983

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 6 note 5.

The Authority's fixed assets principally include:

	2014/15	2015/16
Fire & Rescue Headquarters	1	1
Fire & Rescue training centre	1	1
Fire & Rescue vehicle workshop	1	1
Fire stations	50	50
Fire service houses & other properties	31	31

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

The former headquarters site in Hutton has been revalued at fair value and reclassified from surplus assets to assets held for sale.

At 31 March 2016 a revaluation review of all properties 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000	£000	£000
Investments						
Investments	128	168	-	-	128	168
Cash & cash equivalents	-	-	25,557	16,189	25,557	16,189
Debtors						
Short-term debtors	-	-	966	463	966	463
Creditors						
Short term creditors	-	-	(1,242)	(577)	(1,242)	(577)
Borrowings						
Long term borrowing	(29,500)	(28,000)	-	-	(35,971)	(37,792)
Short term borrowing	-	-	(4,307)	(1,763)	(4,146)	(1,526)

Loans and receivables are valued at invoice value or equivalent. Current liabilities are valued at invoice value or equivalent. The fair value of these balances is estimated to be equivalent to their carrying value. The accounts include interest payable of **£1,492k** and interest income of **£98k**.

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 2016 the fair value of PWLB debt is **£39.3m** compared to £40.1m as at 31 March 2015.

2014/15 PWLB loans	2015/16
£000	£000
Repayment period	
1,500 Between 1 - 2 years	-
3,500 Between 2 - 5 years	3,500
2,000 Between 5 - 10 years	3,000
22,500 Over 10 years	21,500
29,500 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 4.60% at 31 March (2014/15 4.59%).

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 by the Authority's Treasury advisors from the market on 31 March.

Interest is calculated using the most common market convention, ACT/365. Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments. For fixed term deposits it is assumed that interest is received on maturity. No adjustment has been made for the interest value and date where a relevant date occurs on a non working day. The fair value of PWLB borrowing is reported in note 12.1.

12.4 Nature of Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Refinancing & Maturity risk – the possibility that the Authority may not be able to replace expiring loans on equivalent terms; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Authority's treasury management function, under policies approved by the Authority in the annual treasury management strategy. The strategy details the Authority's approach and principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

12.5 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority ensures that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited. Deposits are not made with banks and financial institutions unless they are on an approved list. Lloyds Bank is included on the lending list as it acts as the banker to the Authority. Other money market funds, banks and similar institutions with high grade credit ratings may be used subject to the agreement of the Finance Director & Treasurer. The Authority requires any new counterparty to have a minimum of an 'A' Fitch rating. Fitch is an independent organisation providing a rating for each individual financial institution. The Authority does not generally hold funds for longer term investment. The maximum exposure to credit risk at 31 March 2016 was £16.2m 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 day to day cash requirements and has adopted a policy of maintaining a low level of cash and borrowing to fund capital

expenditure. The Authority sets a balanced budget each year and has a high degree of certainty in its income streams from government and the collection of council tax by district councils and unitary authorities. The largest area of expenditure is on pay related costs which are highly predictable. It is therefore felt that there is no significant liquidity risk.

12.7 Refinancing and Maturity risk

This is the risk that it is difficult or expensive to replace existing loans as they fall due. This risk is recorded on the Authority's risk register and monitored on a regular basis. The Authority manages a small portfolio of loans from the public works loan board. 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. A loan of £1.5m is due to mature in 2016/17. 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 £295k per annum.

13 Inventories

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

	Stores		Vehicle parts		Diesel		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance at 1 April	438	461	75	98	84	76	597	635
Purchases	400	296	549	430	425	352	1,374	1,078
Recognised as an expense	(432)	(326)	(526)	(439)	(433)	(358)	(1,391)	(1,122)
Provision for redundant stock	55	5	-	-	-	-	55	5
Balance at 31 March	461	436	98	89	76	70	635	595

14 Debtors

The analysis of Debtors is shown below:

2014/15 £000		2015/16 £000
342	Central government bodies	2,227
3,310	Other local authorities	2,786
2	National Health Service bodies	6
1,672	Bodies external to general government	1,815
5,326		6,834

The aged debt analysis for trade debtors below shows that **£18k** (12%) of these debtors are past their due date for payment.

Aged analysis of sales ledger	£000	%
0 to 30 days	129	88
31 to 60 days	7	4
61 to 90 days	-	-
91 to 121 days	4	3
121+ days	7	5

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in Notes 34 and 35 respectively.

15 Cash and cash equivalents

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

2014/15 £000		2015/16 £000
11,057	Bank current accounts	1,689
14,500	Cash equivalent investments	14,500
<u>25,557</u>		<u>16,189</u>

16 Assets held for sale

2014/15 £000		2015/16 £000
-	Balance at 1 April	-
-	Assets newly classified as held for sale	8,426
-	Revaluation losses	-
-	Revaluation gains	-
-	Impairment	-
-	Assets sold	-
-	Balance at 31 March	8,426

The former headquarters site in Hutton has been reclassified from surplus assets to assets held for sale.

17 Creditors

The analysis of Creditors is shown below:

2014/15 £000		2015/16 £000
(13,384)	Central government bodies	(12,817)
(2,959)	Other local authorities	(2,275)
(5,578)	Bodies external to general government	(4,873)
<u>(21,921)</u>		<u>(19,965)</u>

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in notes 34 and 35 respectively.

18 Grant receipts in advance

The Authority has **£292k** grant receipts in advance (2014/15 £315k), of which **£284k** is for revenue and **£8k** for capital purposes.

19 Provisions

	Insurance 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	(157)	(695)	-	(4)	(856)
Adjustment to opening balance	-	-	-	-	-
Additional provisions made in year	(8)	(191)	(200)	(1)	(400)
Amounts used in year	-	-	-	-	-
Unused amounts reversed in year	-	-	-	-	-
Balance at 31 March	(165)	(886)	(200)	(5)	(1,256)

The balance of the Insurance provision at 31 March 2016 was **£165k** (2015 £157k) 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:

2014/15 £000		2015/16 £000
10,582	Revaluation Reserve	18,408
57,589	Capital Adjustment Account	60,120
(650)	Holiday Pay Account	(487)
(224)	Collection Fund Adjustment Account	(211)
(707,005)	Pensions Reserve	(692,090)
<u>(639,708)</u>		<u>(614,260)</u>

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.

2014/15 £000		2015/16 £000
5,339	Balance at 1 April	10,582
5,348	Upward revaluation of assets - Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	7,969
(105)	Difference between fair value depreciation and historical cost depreciation	(143)
-	Movement in revaluation reserve for accumulated gain on assets sold	-
<u>10,582</u>	Balance at 31 March	<u>18,408</u>

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.

2014/15 £000		2015/16 £000
59,807	Balance at 1 April	57,589
	Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:	
(7,048)	Charges for depreciation & impairment of non current assets	(6,033)
(3,838)	Revaluation gains/(losses)	2,777
-	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	2,034
105	Adjusting amounts written out of the Revaluation Reserve	143
(10,781)	Net written out amount of the cost of non current assets consumed in the year	(1,079)
	Capital financing applied in the year:	
2,889	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
35	Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	-
5,639	Statutory provision for the financing of capital investment charged against the General Fund balance	3,610
8,563		3,610
57,589	Balance at 31 March	60,120

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.

2014/15 £000		2015/16 £000
(464)	Balance at 1 April	(650)
(186)	Change in amounts accrued at the end of the current year	163
(650)	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.

2014/15 £000		2015/16 £000
334	Balance at 1 April	(224)
	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	13
(558)		
(224)	Balance at 31 March	(211)

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.

2014/15 £000		2015/16 £000
(607,104)	Balance at 1 April	(707,005)
(73,401)	Actuarial gains or losses on pension assets and liabilities	37,312
(26,500)	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	(22,397)
(707,005)	Balance at 31 March	(692,090)

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

2014/15 £000		2015/16 £000
(7,048)	Depreciation and impairments	(6,033)
(3,838)	Revaluation gains/(losses)	2,777
1,869	(Increase)/decrease in creditors	2,634
(583)	(Increase)/decrease in provisions	(400)
38	Increase/(decrease) in inventories	(40)
(4,453)	Increase/(decrease) in debtors	1,508
(26,500)	Movement in pension liability	(22,397)
50	Carrying amount of non-current assets sold	14
-	Other non cash adjustments	-
(40,466)		(21,937)

Included in the above is **£1,492k** interest paid and **£98k** interest received.

23 Amounts reported for resource allocation decisions

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

2015/16	Service Delivery	Service Support	Total
Net Revenue Expenditure	£000	£000	£000
Firefighters	27,501	5,574	33,075
Firefighters - Retained Duty System	5,512	2	5,514
Control	-	1,282	1,282
Support Staff	759	10,433	11,192
Total Employment Costs	33,772	17,291	51,063
Support Costs	227	2,705	2,932
Premises & Equipment	63	10,118	10,181
Other Costs & Services	213	4,028	4,241
Ill health pension costs	-	2,102	2,102
Statutory Provision for Capital Financing	-	3,610	3,610
Voluntary Provision for Capital Financing	-	-	-
Financing Items	-	1,742	1,742
Contribution to/(from) Reserves	-	793	793
Total Other Costs	502	25,099	25,601
Total Gross Expenditure	34,275	42,389	76,664
Operational Income	(939)	(4,019)	(4,958)
Total net expenditure outturn	33,336	38,370	71,706

2015/16 - Reconciliation to Deficit on Continuing Operations per the Comprehensive Income & Expenditure Statement	£000
Total Net Expenditure per Segmental Analysis	71,706
Depreciation and Impairment	3,257
IAS19 Pension adjustment	(661)
Transfer to/(from) Reserves	(628)
Transfer to/(from) Holiday Pay Account	(163)
Add Amounts not reported to management	1,805
Interest payments	(1,492)
Interest and investment income	98
Capital Financing Provision	(3,610)
Remove amounts not included in the Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement	(5,004)
Deficit on Continuing Operations per Comprehensive Income & Expenditure Statement	68,507

2015/16 - Reconciliation to Deficit on Provision of Services per the Comprehensive Income & Expenditure Statement		£000
Total Net Expenditure per Segmental Analysis		71,706
Depreciation and Impairment		3,257
IAS19 Pension adjustment		(661)
Transfer to/(from) Reserves		(628)
Transfer to/(from) Holiday Pay Account		(163)
Profit on Disposal of Assets		(14)
Capital Financing Provision		(3,610)
Pension Interest Costs		23,058
Government Grants and Contributions		(31,356)
Council Tax & NDR deficit		(40,364)
Capital Grant		-
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement		21,225

2014/15	Service Delivery	Service Support	Total
	£000	£000	£000
Net Revenue Expenditure			
Firefighters	28,576	6,153	34,729
Firefighters - Retained Duty System	6,182	-	6,182
Control	-	1,673	1,673
Support Staff	813	10,482	11,295
Total Employment Costs	35,571	18,308	53,879
Support Costs	286	1,625	1,911
Premises & Equipment	236	10,367	10,603
Other Costs & Services	203	3,126	3,329
Ill health pension costs	-	2,077	2,077
Statutory Provision for Capital Financing	-	5,639	5,639
Voluntary Provision for Capital Financing	-	-	-
Financing Items	-	1,963	1,963
Contribution to/(from) Reserves	-	(1,105)	(1,105)
Total Other Costs	725	23,692	24,417
Total Gross Expenditure	36,296	42,000	78,296
Operational Income	(1,102)	(3,942)	(5,044)
Total net expenditure outturn	35,194	38,058	73,252

2014/15 - Reconciliation to Deficit on Continuing Operations per the Comprehensive Income & Expenditure Statement	
	£000
Total Net Expenditure per Segmental Analysis	73,252
Depreciation and impairment	10,886
IAS19 Pension adjustment	151
Transfer to Reserves	918
Transfer to Holiday Pay Account	186
Add Amounts not reported to management	12,141
Interest payments	(1,652)
Interest and investment income	109
Capital financing provision	(5,639)
Remove amounts not included in the Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement	(7,182)
Deficit on Continuing Operations per Comprehensive Income & Expenditure Statement	78,211

2014/15 - Reconciliation to Deficit on Provision of Services per the Comprehensive Income & Expenditure Statement	
	£000
Total Net Expenditure per Segmental Analysis	73,252
Depreciation and impairment	10,886
IAS19 Pension adjustment	151
Transfer to Reserves	918
Transfer to Holiday Pay Account	186
Profit on Disposal of Assets	(50)
Capital financing provision	(5,639)
Pension Interest Costs	26,349
Government Grants and Contributions	(33,919)
Council tax & NDR deficit	(38,775)
Capital Grant	(2,889)
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	30,470

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

24 Members allowances and expenses

Allowances and expenses paid to members in 2015/16 totalled **£148k** (£152k in 2014/15).

25 Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was £50,000 or more during 2015/16 is listed below:

Remuneration band	Number of officers	
	2014/15	2015/16
£50,000 - £54,999	21	29
£55,000 - £59,999	13	9
£60,000 - £64,999	4	11
£65,000 - £69,999	10	2
£70,000 - £74,999	4	5
£75,000 - £79,999	5	6
£80,000 - £84,999	4	5
£85,000 - £89,999	1	1
£90,000 - £94,999	1	-
£95,000 - £99,999	4	-
£115,000 - £119,999	2	-
£120,000 - £124,999	1	2
£125,000 - £129,999	1	-
£130,000 - £134,999	-	1
£140,000 - £144,999	-	1
£160,000 - £164,999	1	-
£180,000 - £184,999	-	1
£190,000 - £194,999	1	-
£195,000 - £199,999	-	1

The tables below detail the individual remuneration of senior employee's for 2015/16 and 2014/15 respectively.

25.1 2015/16

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2015/16					
Chief Fire Officer - D Johnson	£152,633	£28,000	£14,298	£1,382	£33,120
Deputy Chief Fire Officer - Service Support	£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	£0	£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 25 (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 responsibility allowances during 2015/16.

25.2 2014/15

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2014/15					
Chief Fire Officer - D Johnson	£150,999	£28,000	£12,501	£1,291	£32,163
Deputy Chief Fire Officer - Service Support	£142,281	£20,022	£1,029	£1,291	£30,306
Assistant Chief Fire Officer	£112,312	£3,502	£521	£1,291	£23,922
Assistant Chief Fire Officer	£112,312	£3,502	-	£1,291	£23,922
Finance Director & Treasurer	£112,312	£3,502	£6,720	£1,291	£16,098
Director of Human Resources and Organisational Development	£111,100	£4,069	£11,372	£1,291	£16,008

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

With effect from July 2014 the Deputy Chief Fire Officer was appointed as Acting Chief Fire Officer and was also paid the allowance in respect of the additional duties as the Chief Emergency Planning Officer. Other senior officers also received additional responsibility allowances from October 2014.

26 External Audit costs

The Authority paid **£36k** (2014/15 £48k) for external audit services carried out by the appointed auditor, the reduction represents the outcome of a tendering exercise.

27 Related parties

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

2014/15 £000		2015/16 £000
	Provided services to:	
	UK Central Government	
19,164	Revenue Support Grant	16,303
14,755	Non Domestic Rates (NDR) Grant	15,053
290	EFA Trading Ltd	249
34,209		31,605
	Received services from:	
287	Essex County Council	390
10	EFA Trading Ltd	3
297		393

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.

28 Capital expenditure and capital financing

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

2014/15 £000		2015/16 £000
37,837	Opening Capital Financing Requirement	37,984
	Capital investment	
8,710	Property, plant and equipment	6,665
	Sources of finance	
-	Capital receipts	(2,034)
(2,924)	Government grants and other contributions	-
	Sums set aside from revenue:	
(5,639)	Revenue provision for capital financing	(3,610)
37,984	Closing Capital Financing Requirement	39,005
	Explanation of movements in year	
147	Increase/(Decrease) in underlying need to borrow	1,021
147	Increase/(Decrease) in Capital Financing Requirement	1,021

29 Operating Leases

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

2014/15 £000		2015/16 £000
	Commitments under operating leases	
126	Property - Not later than one year	70
199	Vehicles - Not later than one year	180
193	Property - Later than one year and not later than five years	134
164	Vehicles - Later than one year and not later than five years	223
12	Property - Later than five years	9
694		616

30 Capital Commitments

At 31 March 2016 the Authority had capital expenditure commitments of **£5.4m**.

31 Redundancy and early retirement costs – Exit packages

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

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

Exit Packages	---Number of Staff---		Total £000
	Compulsory	Other Departures	
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
2014-15			
up to £20K	11	-	61
up to £60K	1	-	51
Total 2014-15	12	-	112

The total cost of **£1,076k** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

32 Pensions

32.1 Participation in pension schemes

The Authority agreed to set up a stakeholder pension scheme for retained firefighters commencing from 1 January 1999. The employers' contribution was **£10** per retained firefighter per month and in 2015/16 this cost **£2k** (£2k in 2014/15).

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 63). Government grant is payable to cover any shortfall on the Pension Fund account.

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

salary band of the employee. The Authority contributes at the rate prescribed by the Fund's actuary.

32.2 Transactions relating to retirement benefits

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

	LGPS		Firefighters	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Net cost of services:				
Service cost	2,006	2,433	16,506	19,115
Net interest on the defined liability (asset)	719	697	25,615	22,343
Administration expenses	15	18	-	-
Remeasurements in Other Comprehensive Income	4,138	(3,029)	69,263	(34,283)
Net charge to the CIES	6,878	119	111,384	7,175
Adjustments between accounting basis & funding basis under regulations:				
Reversal of net charges made for retirement benefits in accordance with IAS 19	2,740	3,148	42,121	41,458
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	1,687	1,725	16,736	20,428
Net charge to the General Fund Summary	4,427	4,873	58,857	61,886

32.3 Assets and liabilities in relation to retirement benefits

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

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

The Local Government Pension Scheme contributions payable by employers are determined by the actuary to the Pension Fund based on triennial valuations, the most recent of which was at 31 March 2014. This determined the level of contributions payable during the year.

Reconciliation of asset and benefit obligation:

	LGPS		Firefighters	
	31/03/15	31/03/16	31/03/15	31/03/16
	£000	£000	£000	£000
Opening Defined Benefit Obligation	(48,459)	(59,099)	(590,444)	(685,092)
Current service cost	(1,848)	(2,243)	(16,506)	(15,510)
Interest cost	(2,170)	(1,941)	(25,615)	(22,343)
Change in assumptions	(7,131)	3,365	(69,263)	36,518
Experience loss/(gain) on defined benefit obligation	(8)	3	-	(2,235)
Estimated benefits paid net of transfers in	1,225	1,286	20,640	24,684
Past service costs, including curtailments	(158)	(190)	-	(3,605)
Contributions by Scheme participants	(570)	(582)	(3,904)	(4,256)
Unfunded pension payments	20	20	-	-
Closing Defined Benefit Obligation	(59,099)	(59,381)	(685,092)	(671,839)

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

	LGPS		Firefighters	
	31/03/15	31/03/16	31/03/15	31/03/16
	£000	£000	£000	£000
Opening fair value of Scheme assets	31,745	37,194	-	-
Interest on assets	1,451	1,244	-	-
Return on assets less interest	3,001	(339)	-	-
Administration expenses	(15)	(18)	-	-
Contributions by employer including unfunded	1,687	1,725	16,736	20,428
Contributions by Scheme participants	570	582	3,904	4,256
Estimated benefits paid plus unfunded net of transfers in	(1,245)	(1,306)	(20,640)	(24,684)
Other actuarial gains/(losses)	-	-	-	-
Closing fair value of Scheme assets	37,194	39,082	-	-

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£48k).

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.

32.4 Scheme history

	31/03/12	31/03/13	31/03/14	31/03/15	31/03/16
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	24,517	28,455	31,745	37,194	39,082
Present Value of Defined Benefit Obligation	42,522	(47,485)	(48,459)	(59,099)	(59,381)
Surplus/(deficit) in the Scheme	67,039	(19,030)	(16,714)	(21,905)	(20,299)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£731.2m** (£744.2m 2014/15) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£692.1m**.

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 2017 is **£1.6m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2017 are **£5.8m**.

32.5 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The annual Fire Authority budget will make allowance for the firefighter's pension scheme payments based on an estimate of when such payments fall due. The Authority's budget is set taking the employer's pension contribution into account and government grant is received to cover any shortfall in the account.

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

	LGPS		Firefighters	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
<i>Longevity at 65 (60 for FF's) for future pensioners:</i>				
Men	25.1 years	25.2 years	29.8 years	30.0 years
Women	27.6 years	27.7 years	32.3 years	32.4 years
<i>Longevity at 65 (60 for FF's) for current pensioners:</i>				
Men	22.8 years	22.9 years	27.4 years	27.5 years
Women	25.2 years	25.3 years	29.8 years	29.9 years
Inflation/Pension Increase Rate	3.2%	3.3%	3.2%	3.2%
Salary Increase Rate	4.1%	4.2%	4.0%	4.0%
Rate of increase in pensions	2.3%	2.4%	2.3%	2.3%
Discount Rate	3.3%	3.7%	3.3%	3.6%
Take-up of option to convert annual pension into retirement lump sum:				
Service to April 2009	50%	60%	50%	50%
Service post April 2009	50%	60%	50%	50%

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

	LGPS		Firefighters	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Longevity (increase or decrease in 1 year)	61,129	57,685	693,493	650,879
Rate of increase in salaries (increase or decrease by 1%)	59,489	59,274	673,059	670,625
Rate of increase in pensions (increase or decrease by 1%)	60,408	58,374	682,754	661,126
Rate for discounting scheme liabilities (increase or decrease by 1%)	58,282	60,503	660,072	683,832

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	
	31/03/15	31/03/16
	£000	£000
Equities	25,021	26,451
Bonds	5,194	3,028
Property	4,040	4,654
Cash	815	1,270
Alternative assets	2,124	1,738
Other managed funds	-	1,941

32.6 Pensions Reserve

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

	LGPS		Firefighters	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening balance:	16,714	21,905	590,444	685,092
Current service cost	1,848	2,243	16,506	15,510
Interest cost	2,170	1,941	25,615	22,343
Changes in assumptions	7,131	(3,365)	69,263	(36,518)
Experience loss/(gain) on defined benefit obligation	8	(3)	-	2,235
Past service cost, including curtailments	158	190	-	3,605
Contributions by employer including unfunded	(1,687)	(1,725)	(16,736)	(20,428)
Interest on assets	(1,451)	(1,244)	-	-
Return on assets less interest	(3,001)	339	-	-
Other actuarial gains/(losses)	-	-	-	-
Administration expenses	15	18	-	-
Balance at 31 March	21,905	20,299	685,092	671,839

33 Long Term Investments

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

34 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 2015/16 and 2014/15, respectively, are shown below:

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)

2014/15					
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Council Tax Prepayments £000	Council Tax Arrears £000	Council Tax Bad Debt Provision £000
Basildon	16	(128)	(47)	246	(71)
Braintree	45	(36)	(58)	138	(45)
Brentwood	37	(47)	(21)	129	(61)
Castle Point	7	(10)	(26)	104	(68)
Chelmsford	70	(100)	(56)	186	(29)
Colchester	42	-	(111)	266	(155)
Epping Forest	52	(31)	(73)	177	(73)
Harlow	10	(76)	(35)	218	(107)
Maldon	20	(23)	(28)	71	(20)
Rochford	32	-	(21)	70	(51)
Southend	46	(73)	(68)	241	(99)
Tendring	32	(36)	(70)	172	(65)
Thurrock	-	(105)	(12)	115	(73)
Uttlesford	-	(72)	(22)	111	(59)
Total	409	(737)	(648)	2,244	(976)

35 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 2015/16 and 2014/15, respectively:

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)

2014/15						
Authority	Amounts Owed by Billing Authority £000	Amounts Owed to Billing Authority £000	Provision for Business Rates appeals £000	NDR Prepayments £000	NDR Arrears £000	NDR Bad Debt Provision £000
Basildon	107	-	(54)	(10)	20	(9)
Braintree	31	(17)	(36)	(4)	12	(3)
Brentwood	27	-	(23)	(6)	23	(10)
Castle Point	25	(22)	(26)	(1)	2	(2)
Chelmsford	105	(110)	(111)	(18)	32	(9)
Colchester	26	(26)	(44)	(8)	33	(8)
Epping Forest	33	(15)	(33)	(8)	11	(3)
Harlow	63	(1)	(70)	(7)	24	(10)
Maldon	7	(263)	(9)	(2)	7	(3)
Rochford	2	(12)	(2)	(1)	4	(3)
Southend	26	(13)	(26)	(15)	20	(6)
Tendring	22	(7)	(22)	(3)	4	(1)
Thurrock	142	(122)	(148)	(5)	14	(2)
Uttlesford	118	-	(92)	(4)	9	(4)
Total	734	(608)	(696)	(92)	215	(73)

36 Contingent Liabilities

A recent ruling from the Secretary of State regarding Fire Pension Scheme contributions will now allow members under the age of 50 who have accrued 30 years' service to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50. Indications are that this will be applied retroactively to 1 December 2006. As a result it is expected that there will be a refund of employer contributions for that period, however, further details are awaited to determine how this will be progressed.

37 Premiums and Discounts

Premiums and discounts are paid or received on early redemption of borrowing. As at the 1 April 2015 the Authority had no outstanding premiums or discounts balances on its Balance Sheet and none as at 31 March 2016.

38 Financial Guarantees

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

39 Price and Foreign Exchange Risk

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

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

I certify that these accounts were considered and approved by the Policy and Strategy Committee at the meeting held on 21 September 2016.

Signed:

On behalf of Essex Fire Authority
Councillor Hedley, Chairman of the Policy and Strategy Committee
21 September 2016

FIREFIGHTERS' PENSION FUND ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

2014/15 £000	2015/16 £000
Contributions receivable	
from employer	
(5,377) normal contributions	(4,749)
(96) early retirements	(136)
(3,941) from members	(4,236)
Transfers in	
(26) individual transfers in from other schemes	(314)
Benefits payable	
15,311 pensions	16,638
3,447 commutations and lump sum retirement benefits	3,611
- GAD v Milne additional payments	2,235
Payments to and on account of leavers	
57 individual transfers out to other schemes	68
9,375 Deficit for the year before top-up grant receivable from central government	13,117
(9,375) Top up grant payable by sponsoring department	(10,691)
- GAD v Milne additional grant	(2,426)
- Net amount payable for the year	-

FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 MARCH 2016

2014/15 £000	2015/16 £000
Net current assets and liabilities	
843 Top up payable to/(receivable from) sponsoring department	(1,690)
(843) Amount owing to general Fund	1,690
-	-

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 2016.

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 32 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 Corporate and democratic core

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

18 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.

19 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.

20 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.

21 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.

22 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.

23 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.

24 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.

25 Equity

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

26 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.

27 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.

28 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.

29 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.

30 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.

31 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.

32 Impairment

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

33 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.

34 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.

35 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.

36 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.

37 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.

38 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.

39 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.

40 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.

41 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.

42 Net debt

The Authority's borrowings less cash and liquid resources.

43 Non distributed costs

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

44 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.

45 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.

46 Operating lease

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

47 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.

48 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.

49 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.

50 Precept

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

51 Prior year adjustment

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

52 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.

53 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.

54 Rateable value

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

55 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.

56 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.

57 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.

58 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.

59 Residual value

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

60 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.

61 Revenue expenditure

The day-to-day expenses of providing services.

62 Revenue support grant

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

63 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.

64 Temporary borrowing

Money borrowed for a period of less than one year.

65 Useful economic life (UEL)

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

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING	Policy & Strategy Committee	AGENDA ITEM	7
MEETING DATE	21 September 2016	REPORT NUMBER	EFA/110/16
SUBJECT	Budget Review and Revised 2016/17 Budget		
REPORT BY	The Finance Director & Treasurer		
PRESENTED BY	Deputy Finance Director, Glenn McGuinness		

SUMMARY

This paper reports on expenditure against budget as at 31 August 2016 and identifies and comments on major budget variations. It also provides an updated budget for 2016/17 to reflect the implementation plan for the Programme 2020 and seeks approval for the budget virements required.

RECOMMENDATIONS

Members are asked to:

1. Note the position on the Authority's income and expenditure at 31 August 2016 compared the original budget;
2. Note the capital expenditure spend against budget for the period to 31 August 2016; and
3. Approve the revised 2016-17 budget and the use £

BACKGROUND

This table below shows actual expenditure against budget to 31 August 2016.

Description	YTD Actual	Variance YTD	% Variance	YTD
	£'000s	£'000s	YTD	Commitments £'000s
Firefighters	13,224	(149)	-1%	-
On Call Firefighters	1,957	42	2%	-
Control	525	(34)	-6%	-
Support Staff	4,761	201	4%	174
Total Employment Costs	20,468	60	0%	174
Support Costs	796	83	12%	59
Premises & Equipment	3,889	(492)	-11%	1,161
Other Costs & Services	1,643	173	12%	304
Ill health pension costs	948	49	5%	-
Financing Items	681	(2)	0%	2
Operational income	(1,723)	(89)	5%	0
Contribution to/(from) Reserves	-	164	0%	-
Total Other Costs	6,234	(114)	-2%	1,526
Total Budget	26,702	(54)	0%	1,700
Total Funding	(31,337)	17	0%	-
Funding Gap / (Surplus)	(4,635)	(37)		1,700

More detailed figures are provided at page 7.

STAFFING

Overall employment costs are £60K (0.3%) over budget for the 5 months to August.

Spend for; whole time fire-fighters is £149K (1.1%) under budget, this includes pay in lieu of notice for some leavers, for on-call firefighters, spend is £42K (2.2%) over budget.

Support staff pay is £201K (4.4%) above budget for the 5 months to August. This comprises an underspending on directly employed staff of £175K offset by an overspending of £376K on casual and temporary staff cover. The largest factor in the overspend of £201K is £163K relating to the employment of interim staff in the HR and training departments as a result of departmental reorganisation this year.

Whole-time fire-fighter numbers at 679.0 are 16.0 (2.3%) under phased budget at the end of August.

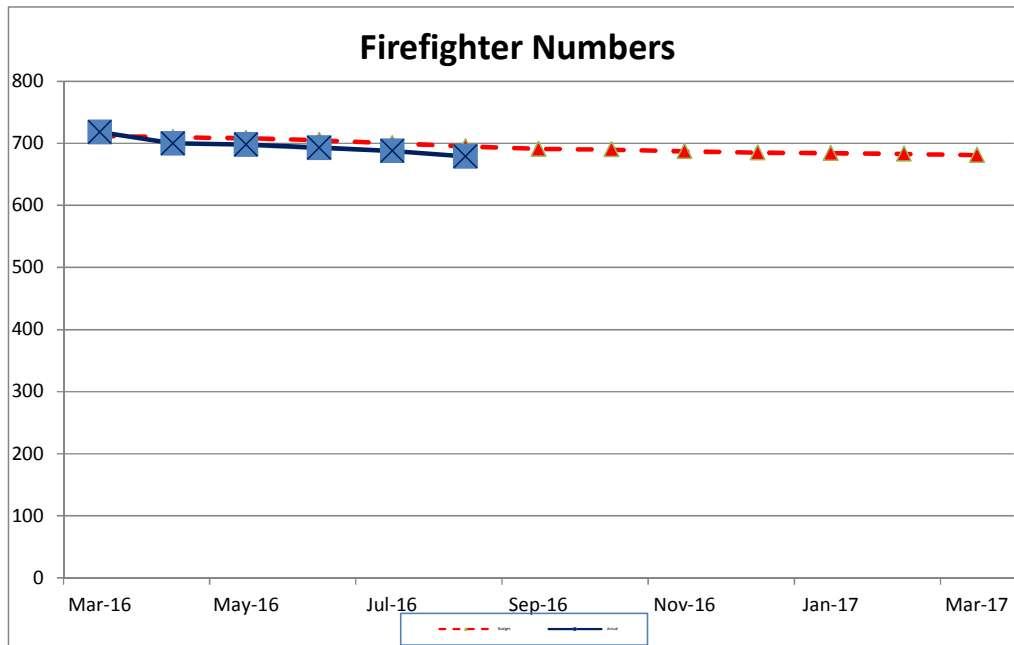
The staffing position at the end of August is summarised below (% figures rounded):

31 Aug 2016	Actual	Phased Budget	Variance	
Wholetime Firefighters - FTE	679.0	695.0	-16.0	-2%
On-Call Firefighters - Headcount	471.0	519.0	-48.0	-9%
Control - FTE	32.8	33.0	-0.2	-1%
Support Staff - FTE	247.7	278.7	-31.1	-11%
Total	1,430.5	1,525.7	-95.3	-6%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 374 fire-fighters.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 9 at the end of August. The number of fire-fighters over 50 with more than 25 years' service was 77 at the end of August.

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



WATCH BASED FIREFIGHTERS

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

Date	Budgeted Rider Resource	OptJmum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/07/2016	600	576	548	546.0	0.0	2.9
31/08/2016	600	576	548	538.0	0.0	2.9

The shortage of riders will be addressed by the removal of the second fire engines from Loughton, Orsett and Rayleigh Weir fire stations at the end of September as part of Programme 2020.

ON-CALL FIREFIGHTERS

Full details of the on-call numbers are provided in Appendix 2. The table shows that we have a headcount of 471.0 firefighters at 31st August a net reduction of 7.0 from the 478.0 at 1st April this year. Consultation on amendments to the bandings for on-call availability has commenced. Research has evidenced that this is a significant barrier to recruitments, particularly for a more diverse workforce.

NON-PAY RELATED EXPENDITURE

Non-pay expenditure is £25K underspent for the 5 months to 31 August; in addition operational income is £89K better than budget.

Support costs are £83K (11.7%) overspent for the 5 months to 31 August, the main areas of overspend are training £56K (28%) and Redundancy and Financial Strain £125K (100%) Travelling and subsistence is £91K (32%) underspent.

Premises and equipment is £492K (11%) underspent, this reflects a slow start to the first half of the year on property maintenance ICT and operational equipment.

REVISED BUDGET 2016/17

The budget for 2016-17 approved by the Fire Authority in February was prepared on a business as usual basis, although options for change including project 2020 and the management review were being considered, these could not be included in the budget until decisions on the future direction of the Service had been made by members, these were scheduled for June 2016.

Following the decision by the Authority to adopt option 2 from the options for change proposals and completion of phase 1 of the management review an exercise has been carried out to assess the impact on the 2016-17 budget.

A revised budget for 2016-17 is given in the table below with the main reason for the changes analysed:

Description	Original Full Year Budget		2nd phase Firefighter early exits cost		HR Dept Restructure and Additional Training		Options for change plan		Revised Full Year Budget
	£'000s	Pay Inflation	£'000s	Reorganisaision Savings	£'000s	£'000s	Other	£'000s	
Firefighters	31,847	366	470	(1,377)	-	-	-	305	31,612
On Call Firefighters	5,522	45	-	-	-	-	-	-	5,567
Control	1,345	10	-	-	-	-	-	-	1,355
Support Staff	11,477	116	-	(45)	297	182	(17)	-	12,010
Total Employment Costs	50,190	537	470	(1,422)	297	182	288		50,543
Support Costs	1,717	-	2,630	-	188	-	-	-	4,535
Premises & Equipment	10,514	-	-	-	-	-	-	-	10,514
Other Costs & Services	3,516	-	25	-	-	70	125	-	3,736
Ill health pension costs	2,097	-	-	-	-	-	-	-	2,097
Financing Items	7,585	-	-	-	-	-	-	-	7,585
Operational income	(3,922)	-	-	-	-	-	-	28	(3,894)
Contribution to/(from) Reserves	(393)	(537)	-	-	-	-	-	-	(931)
Total Other Costs	21,114	(537)	2,655	-	188	70	153		23,643
Total Budget	71,304	0	3,125	(1,422)	485	252	442		74,186
Total Funding	(71,304)	-	-	-	-	-	-		(71,304)
Funding Gap / (Surplus)	-	0	3,125	(1,422)	485	252	442		2,882

The revised budget reflects some additional non-recurring costs in 2016/17 that were not included in the medium term projections included in the Authority's efficiency plan. The plan requires a net use of reserves of £2.9m after the inclusion of some £3.1m of costs associated with the early exit options for firefighters. The plan will be updated to reflect this before submission to the Government. Comments on these and the other major changes are included below:

- To fund the costs (£3.1m) of early retirement for c.45 firefighters, this in accordance with the approach to organisational change agreed by members in December 2015.

- Reorganisation savings of £1.4m result from a reduction in firefighter numbers from 1st October and savings from phase 1 of the management review.
- The restructuring the HR department has required additional interim management resourcing, this together with some additional training cost initiatives will increase the HR and training budget by £485K this year.
- As part of the development of the options for change plan, the resources required to support this have been assessed at £252K in 2016-17.
- £200K for backdated pension contributions for day-crewed firefighters.

CAPITAL EXPENDITURE

Capital expenditure for the 5 months to 31 August 2016 is shown in the table below.

Total capital expenditure is £3.7m, the largest item included is £2.5m for new appliances. The figure also includes £473K for asset protection and service workshops. Equipment includes thermal imaging cameras (£237K), fire ground radios (£87K) and RPE masks and equipment (£36K).

The investment of £186K in information technology relates to replacing the MIS system for Community Safety and Fleet Workshops.

	Original Budget 2016/17 £'000s	Approved Changes £'000s	Revised Budget - 16/3/16 £'000s	Total Spend including Commitments £'000s	Forecast 2017 £'000s
Property					
New Premises					
Service Headquarters	-	-	-	-	-
Service Workshops	1,000	-	1,000	174	400
Other	-	-	-	-	-
Existing Premises					
Solar Panels	300	-	300	3	100
Asset Protection	2,000	-	2,000	296	1,700
Asset Improvement Works	-	-	-	-	-
Total Property	3,300	-	3,300	473	2,200
Equipment	592	597	1,189	360	1,189
Information Technology					
Projects > £250k	-	-	-	88	-
Projects < £250k	825	-	825	98	645
Total Information Technology	825	-	825	186	645
Vehicles					
New Appliances	2,255	-	2,255	2,503	2,503
Other Vehicles	851	116	967	149	750
Total Vehicles	3,106	116	3,222	2,651	3,252
Total Capital Expenditure	7,823	713	8,536	3,671	7,286

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 – May 2016	
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

MANAGEMENT ACCOUNTS – AUGUST 2016

Description	YTD Actual	Variance YTD	% Variance	YTD	YTD
	£'000s	£'000s	YTD	Commitments	£'000s
Firefighters	13,224	(149)	-1%		-
On-Call Fire-Fighters	1,957	42	2%		-
Control	525	(34)	-6%		-
Support Staff	4,761	201	4%		174
Total Employment Costs	20,468	60	0%		174
Training	256	56	28%		31
Employee Support Costs	350	118	51%		27
Travel & Subsistence	190	(91)	-32%		1
Support Costs	796	83	12%		59
Property Maintenance	758	(135)	-15%		531
Utilities	195	(51)	-21%		-
Rent & Rates	563	(15)	-3%		-
Equipment & Supplies	560	(43)	-7%		98
Communications	567	(20)	-3%		367
Information Systems	892	(193)	-18%		140
Transport	353	(35)	-9%		25
Premises & Equipment	3,889	(492)	-11%		1,161
Establishment Expenses	336	(53)	-14%		8
Insurance	222	9	4%		-
Professional Fees & Services	981	220	29%		296
Democratic Representation	58	(3)	-5%		-
Agency Services	46	0	1%		-
Other Costs & Services	1,643	173	12%		304
Ill Health Pension costs	948	49	5%		-
Lease & Interest Charges	681	(2)	0%		2
Statutory Provision for Capital Financing	-	-	0%		-
Financing Items	681	(2)	0%		2
Operational income	(1,723)	(89)	5%		0
Contributions to/ (from) General Balances	-	164	0%		-
Total Net Financing Requirement	26,702	(54)	0%		1,700
Revenue Support Grant	(8,195)	(2)	0%		-
National Non-Domestic Rates	(6,478)	(10)	0%		-
Council Tax Collection Account	(359)	29	0%		-
Council Tax	(16,305)	(0)	-1%		-
Total Funding	(31,337)	17	0%		-

ON-CALL FIREFIGHTER NUMBERS

ON CALL FIREFIGHTERS					
Headcount Movement 2016-17					
Station	Actual 31st Aug	Joiners	Leavers	Transfers	Year to date movement Incr/(Decr)
Billericay	14.0	0.0	0.0	0.0	0.0
Braintree	20.0	0.0	(3.0)	0.0	(3.0)
Brentwood	14.0	1.0	(1.0)	0.0	0.0
Brightlingsea	12.0	1.0	0.0	0.0	1.0
Burnham	9.0	0.0	(2.0)	0.0	(2.0)
Canvey Island	18.0	0.0	0.0	0.0	0.0
Coggeshall	10.0	0.0	0.0	0.0	0.0
Corringham	11.0	0.0	(1.0)	0.0	(1.0)
Dovercourt	12.0	0.0	0.0	0.0	0.0
Dunmow	16.0	0.0	(1.0)	0.0	(1.0)
Epping	15.0	0.0	(1.0)	0.0	(1.0)
Frinton	17.0	0.0	0.0	0.0	0.0
Halstead	22.0	1.0	0.0	0.0	1.0
Hawkwell	14.0	1.0	(1.0)	0.0	0.0
Ingatestone	11.0	1.0	0.0	0.0	1.0
Leaden Roding	7.0	0.0	0.0	0.0	0.0
Maldon	19.0	0.0	(1.0)	0.0	(1.0)
Manningtree	13.0	1.0	(2.0)	0.0	(1.0)
Newport	10.0	0.0	0.0	0.0	0.0
Old Harlow	14.0	0.0	0.0	0.0	0.0
Ongar	5.0	0.0	0.0	0.0	0.0
Rochford	11.0	1.0	0.0	0.0	1.0
Saffron Walden	21.0	0.0	(1.0)	0.0	(1.0)
Shoeburyness	11.0	0.0	(1.0)	0.0	(1.0)
Sible Hedingham	8.0	0.0	0.0	0.0	0.0
Stansted	15.0	1.0	0.0	0.0	1.0
Thaxted	8.0	0.0	0.0	0.0	0.0
Tillingham	11.0	1.0	(1.0)	0.0	0.0
Tiptree	13.0	1.0	0.0	0.0	1.0
Tollesbury	11.0	0.0	(1.0)	1.0	0.0
Weeley	14.0	2.0	(1.0)	(1.0)	0.0
West Mersea	12.0	1.0	0.0	0.0	1.0
Wethersfield	9.0	0.0	0.0	0.0	0.0
Wickford	11.0	1.0	(1.0)	0.0	0.0
Witham	20.0	0.0	(2.0)	0.0	(2.0)
Wivenhoe	13.0	0.0	0.0	0.0	0.0
Total Headcount	471.0	14.0	(21.0)	0.0	(7.0)

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Essex Fire Authority – Policy and Strategy
Committee**

8

MEETING DATE

REPORT NUMBER

21 September 2016

EFA/111/16

SUBJECT

**Progressing the Lucas Review Recommendations for Essex Fire Authority Members;
specifically in relation to the outcomes of facilitated workshops held February-March
2016 – Update Report**

REPORT BY

Hannah Cleary, Seconded Member Support

PRESENTED BY

Hannah Cleary , Seconded Member Support

SUMMARY

At its meeting of 22 June 2016 the Policy and Strategy Committee received a report sharing details of the Action Plan developed following Member and Officer workshop sessions facilitated by the Society of Local Authority Chief Executives (SOLACE) during February and March 2016 (EFA/086/16/Minute No. 7). The report additionally sought to agree a Member-led approach to take forward activities in the four key areas identified:

1. Clarification of the roles and responsibilities of Members and Officers;
2. Developing the role of Members in providing appropriate challenge;
3. Member Induction and ongoing development programme
4. Communications and engagement

Members' consideration of this report resulted in the following resolutions:

1. That the SOLACE action plan as set out at Appendix 1 be noted;
2. That at least one working group be established from the Membership of the Fire Authority to progress the outcomes from facilitated workshops in relation to the below four areas:
 - i) Clarification of the roles and responsibilities of Members and Officers;

- ii) Developing the role of Members in providing appropriate challenge (scrutiny);
 - iii) Member induction and ongoing development programme; and,
 - iv) Communications and engagement.
3. That the initial scope for the four areas of review as set out in the report be agreed, subject to the potential for expansion of the initial scopes and subsequent identification of further topics as work progresses in the future;
 4. That the working group/s will be fully supported by the seconded Member Support Officer. The seconded Member Support Officer will initially seek expressions of interest from Members wishing to participate in the working group/s and will also ensure that the full Fire Authority are kept apprised of ongoing progress ;
 5. That any findings and recommendations made by any working group/s are brought to a future meeting of the full Fire Authority for agreement.

Whilst a 'working group' approach was previously agreed and a number of Members expressed an interest in participating; it was felt beneficial for the Policy and Strategy Committee to undertake and oversee the required work to progress these activities. Members that expressed an interest have been invited to attend Policy and Strategy Committee meetings to contribute to these items.

RECOMMENDATIONS

Members are requested to:

1. note the supporting activity undertaken since the meeting of 22 June 2016 in relation to webcasting and publication of Member profiles;
2. agree to engage SOLACE for a further 3 sessions during autumn 2016 and spring 2017 in respect of the following:
 - i. Roles and Responsibilities
 - ii. Scrutiny and appropriate challenge
 - iii. Reflection and future steps
3. agree that a further report in respect of the 'Member Induction/Ongoing Development' and 'Communications and Engagement' strands be brought to the next meeting of the Policy and Strategy Committee for progression.

BACKGROUND

The workshops facilitated by the Society for Local Authority Chief Executives (SOLACE) in February and March 2016 identified four key areas for future improvement all linked to the recommendations in the Lucas Review.

Clarification of the roles and responsibilities of Members and Officers
Recommendations 5, 6, 7

- i. Develop a role definitions and skills framework that can be sent to all Members and Officers when they are appointed to the EFA or ECFRS; as well as to constituent authorities to support them when making EFA nominations so they are fully aware of the time and workload involved with the roles. The framework should also include details of the statutory responsibilities of the Fire Authority as well as the scheme of delegation. Senior Officers will contribute definitions of their roles and responsibilities to the framework.
- ii. Review the current Member Champion roles to clearly define their purpose and develop terms of reference for each role. This review will include the identification of any new Member Champion roles that may be appropriate, e.g. Safeguarding Champion.

Developing the role of Members in providing appropriate challenge
Recommendations 6, 7, 8, 9, 10

- i. Develop methods to improve Members' understanding of their strategic and business planning role;
- ii. Develop methods to improve Members' knowledge of areas for appropriate challenge;
- iii. Develop a set of standard questions to support Members at meetings when undertaking their assurance role;
- iv. Review the regular and standing reports that are presented to Fire Authority meetings and Committees with a view to improving the presentation of performance information against the strategic aims of the Essex County Fire And Rescue Service, using data from comparable authorities where appropriate.

Member Induction and ongoing development programme
Recommendations 5, 7, 10

- i. Undertake a review and refresh of the current induction programme to inform the induction for new Members from 2017;
- ii. Define and develop a high quality and relevant ongoing programme of training and development for all Fire Authority Members as well as development of a networking programme including visits to other Fire Authorities. This programme should include establishing regular, joint Officer and Member workshops;
- iii. Develop methods to improve and encourage attendance at training and development sessions including the publication of an annual report setting out training and development attendance for each Member;

Communications and engagement
Recommendations 5, 6, 7, 8

- i. Develop a protocol for visiting fire stations;
- ii. Develop methods for regularly briefing EFA Members on current and planned activities, both via e-briefings and face to face meetings with ECFRS officers;
- iii. Develop a Member communications protocol, i.e. when Members should be invited to take part in community and media events;
- iv. Develop a Member-Staff engagement protocol.

CURRENT PROGRESS AGAINST THE IDENTIFIED KEY THEMES

Since the meeting of 22 June 2016, the following initiatives have been progressed:

Webcasting of all Essex Fire Authority meetings

As Members will be aware, the Fire Authority meetings of 8 June 2016 and 7 September 2016 were webcast to provide both staff members and members of the public with the opportunity to view the meeting as it took place. Given the success of this exercise, it has been agreed that all future Fire Authority meetings are similarly webcast. This speaks to a number of the Lucas Review recommendations, pertaining specifically to Members of the Fire Authority; notably raising Members' profiles within the organisation; providing context and clarity of roles; and also improving openness and transparency.

Member profiles available on ECFRS Intranet

Work is almost complete on the provision of Member profiles on the ECFRS Intranet. This will assist in raising Members' profiles and supports the "Communications and engagement" work stream of the SOLACE action plan.

ONWARD PROGRESS AGAINST THE IDENTIFIED KEY THEMES

The resolution made at the meeting of 22 June 2016 specified the establishment of at least one working group from the Membership of the Fire Authority to progress the outcomes from facilitated workshops. Accordingly, all Members were twice contacted by the seconded Member Support Officer to seek expressions of interest with regard to joining such a group, and as a result of these approaches five Members had indicated that they would wish to participate. It was felt, pragmatically, that this was not a sufficient number to make a stand alone working group or groups viable, and therefore it has been agreed that the Policy and Strategy Committee will act as the working group to take ideas forward and make appropriate recommendations to the full Fire Authority.

ADDITIONAL SOLACE WORKSHOPS

It is proposed that the elements of the "Clarification of the roles and responsibilities of Members and Officers" and the "Developing the role of Members in providing appropriate challenge" work streams are progressed during further workshops, facilitated by SOLACE, during autumn 2016 and spring 2017. These would comprise a session for each work stream, and a third session to consolidate the outcomes and agree conclusions and onward work.

CONCLUSIONS

It has been agreed that the preferred approach to progressing the work streams identified by the SOLACE workshops was the establishment of a working group or groups to do so. It has subsequently been agreed that Members of the Policy and Strategy Committee will act as this working group, and there is a clear benefit in work commencing as promptly as possible. Members are asked to approve the approach as specified in the report, or alternatively propose an alternative method to progress the identified work streams.

RISK MANAGEMENT IMPLICATIONS

Failure to effectively address the issues identified within the Independent Review of Culture present significant risk to the Service and the Essex Fire Authority not least as the report suggests that without significant change our employees and the communities they serve may be at risk.

The information set out in this report supports the delivery of the work programme required to improve the culture within ECFRS.

FINANCIAL IMPLICATIONS

There would be a cost in relation to commissioning externally facilitated sessions, if this option is taken forward by the Authority. The cost of the previous SOLACE sessions was around £8k; although this was for potentially more sessions than would be arranged for this second phase. Other costs would be covered in those already estimated for the ongoing cultural review work; estimated to total £400k between 2015-2017 (this includes the Expert Advisory Panel costs). Around £200k of this is expected to fall in the current financial year.

LEGAL IMPLICATIONS

The information set out in this report sets out the progress made in the delivery of the work programme required to improve the culture within ECFRS and therefore serve to lessen any potential litigation presented by the risks identified within the Independent Review of Culture.

EQUALITY IMPLICATIONS

Failure to implement the Independent Review Action Plan and address the associated recommendations could result in the Service failing to meet its obligations under the Equality Act 2010.

ENVIRONMENTAL IMPLICATIONS

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
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There are no direct environmental implications arising from this report.

List of appendices attached to this paper: None	
List of background documents (not attached): Independent Cultural Review of Essex County Fire and Rescue Service EFA/086/16 – Policy and Strategy Committee Report – 22 June 2016 Policy and Strategy Committee 22 June 2016 Minutes	
Proper Officer:	Acting Chief Fire Officer, Adam Eckley
Contact Officer:	Acting Chief Fire Officer, Adam Eckley Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: adam.eckley@essex-fire.gov.uk