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ESSEX POLICE, FIRE AND CRIME
COMMISSIONER FIRE AND RESCUE
AUTHORITY

2018/19 ACCOUNTS

Unaudited XX Xxx 2019

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NARRATIVE REPORT

BY THE CHIEF FINANCE OFFICER

1 Introduction

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

2 The governance role of the Fire Authority

The Police and Crime Commissioner for Essex submitted a business case to the Home Secretary to replace the governance role of Essex Fire Authority which was approved in July 2017. Roger Hirst was appointed as the country's first Police, Fire and Crime Commissioner and these arrangements took effect from 1st October 2017.

3 The Statement of Accounts

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

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

3.1 Comprehensive Income and Expenditure Statement

This statement, as set out on page 31, shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation. Authorities receive government grants and raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the two positions is shown in the Movement in Reserves Statement.

3.2 Movement in Reserves Statement

This Statement, as set out on page 32, 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.

3.3 Balance Sheet

The Balance Sheet, as set out on page 33, 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 **£119.1m** of long term assets, mainly comprising fire stations, offices, workshops and fire appliances. These are funded by **£24.5m** of long term loans. The Authority's general reserve stood at **£8.3m** and the earmarked reserves decreased by **£0.5m** to **£5.3m**.

3.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 34, 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.

4 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:

4.1 Firefighters' Pension Fund Account

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

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

4.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 62 summarises the net assets relating to the provision of pensions and other benefits payable. Further information is provided in the Notes to the Pension Fund Account.

5 The Service Revenue Account

In 2018/19 the Authority's total planned net expenditure was **£70.0m**. The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

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

| 2017/18 | | 2018/19 | | |
|----------------|---|-----------------|---------------|----------------------|
| Actual | | Latest | Variance | |
| £000 | Net Revenue Expenditure | Approved Budget | Actual | overspend/underspend |
| £000 | | £000 | £000 | £000 |
| 29,545 | Firefighters | 29,842 | 30,037 | 195 |
| 5,395 | On call firefighters | 6,401 | 5,636 | (765) |
| 1,364 | Control staff | 1,436 | 1,422 | (14) |
| 13,992 | Support staff | 12,959 | 13,330 | 371 |
| 50,296 | Total Employment Costs | 50,638 | 50,425 | (213) |
| 2,200 | Support costs | 1,803 | 2,010 | 207 |
| 9,866 | Premises & Equipment | 10,698 | 10,250 | (448) |
| 3,681 | Other costs & services | 3,583 | 3,248 | (335) |
| 2,185 | Ill health pension costs | 2,200 | 2,320 | 120 |
| 1,432 | Lease and interest charges | 1,551 | 1,380 | (171) |
| 5,150 | Revenue provision for Capital Financing | 5,492 | 4,973 | (519) |
| 351 | Contribution to/(from) Reserves | (2,237) | 458 | 2,695 |
| 24,865 | Total Other Costs | 23,090 | 24,639 | 1,549 |
| 75,161 | Total Gross Expenditure | 73,728 | 75,064 | 1,336 |
| (4,800) | Operational Income | (3,732) | (4,239) | (507) |
| 70,361 | Total net expenditure outturn | 69,996 | 70,825 | 829 |
| Funding | | | | |
| 11,033 | Revenue Support Grant | 9,347 | 9,347 | 0 |
| 15,699 | Non Domestic Rates | 15,720 | 16,697 | 977 |
| 846 | Council Tax Collection Account | 688 | 702 | 14 |
| 42,783 | Council Tax Precepts | 44,241 | 44,079 | (162) |
| 70,361 | Total Funding | 69,996 | 70,825 | 829 |

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

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

Operational income is £0.5m over budget which includes additional funding for collaboration with Essex Police and higher grant income than budgeted. There was also a transfer of £0.5m to Essex County Council for grant monies in relation to the Essex Emergency Planning and Civil protection Team who were transferred to the Council under TUPE regulations.

The net outturn shows that we were underspent against budget in a number of areas, as a result a budgeted contribution of £2.2m from the capital receipts reserve to balance spend against income was not required.

Net expenditure charged to the revenue account was £70.8m in the year, due to a number of technical accounting adjustments this figure is different from the cost of the provision of fire services, £61.3m, shown in the Comprehensive Income and Expenditure Account (page 30). A reconciliation between the two figures is given below;

| Reconciliation to the Provision of Fire Services per the Comprehensive Income & Expenditure Statement | 2018/19 £000 |
|--|-------------------------|
| Total Net Expenditure per Service Revenue Account as above | 70,825 |
| Depreciation | 4,489 |
| Impairment | 318 |
| IAS19 Pension adjustment | (7,685) |
| Transfer to/(from) Reserves | (1,004) |
| Transfer to/(from) Holiday Pay Account | 330 |
| Collection fund adjustment account | 213 |
| Add Amounts not reported to management | (3,339) |
| Interest payments | (1,301) |
| Interest and investment income | 83 |
| Capital Financing Provision | (4,973) |
| Remove amounts not included in the Provision of Fire Services in the Comprehensive Income and Expenditure Statement | (6,191) |
| Provision of Fire Services per Comprehensive Income & Expenditure Statement | 61,295 |

6 Capital expenditure

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

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

We invested **£1.6m** in our property portfolio mainly on fire stations and training facilities. In addition there was spend of **£0.9m** on ICT and operational equipment and **£1.0m** on vehicles.

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

7 Events after the Balance Sheet date

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

8 Borrowing

The Authority undertakes long term borrowing, for periods in excess of one year, in order to finance its capital spending. During the year the Authority repaid a loan of **£1.0m**, leaving the total loans at year end at **£27.0m** (£24.5m long term and £2.5 short term). These are all provided by the Public Works Loans Board. There was no new borrowing in the year.

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

9 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 2019.

10 Risk Protection

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

11 Accounting policies

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

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

12 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

2018/19 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.

13 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 2019/20 was approved by the Authority in January 2019 and reflects an increase in the total budget from **£72.6m** (2018/19) to **£73.8m** (2019/20).

The budget for 2019/20 is available at: http://www.essex-fire.gov.uk/img/pics/pdf_1556275328.pdf

14 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.

15 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/>

16 Employees

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

17 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 reports are available at: <http://www.essex.pfcc.police.uk/performance-resources-board-essex-fire-rescue-authority/>

18 Reporting cycle

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

19 Significant interests held by members and senior officers

The Service Solicitor is responsible for maintaining the Register of Members' Interests in accordance with the provisions of the Localism Act 2011 and the Authority's Code of Conduct. This is available for inspection as required by the Act from: The Service Solicitor, David Lawson. Tel: 07875397764, e-mail: dlawson@thurrock.gov.uk.

20 Glossary

A glossary of accounting terms is provided on pages 64 to 70 to assist the reader.

21 Further information

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police, Fire and Crime Commissioner's responsibilities

The Police, Fire and Crime Commissioner is required to:

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

The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

The Chief Finance Officer's certificate

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

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

GOVERNANCE STATEMENT

Introduction

The Police and Crime Act 2017 enabled Police and Crime Commissioners to become responsible for the governance of fire and rescue authorities, subject to the approval of a business case by the Home Secretary. The aim of this legislation was to 'enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners'. Following the successful submission of a business case to the Home Secretary, the Police and Crime Commissioner for Essex, Roger Hirst, became the first Police, Fire and Crime Commissioner (PFCC) on 1st October 2017.

Under these governance arrangements, a new corporation sole, the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority, replaced the Essex Fire Authority.

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority ("the Commissioner") is responsible for ensuring that his 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. He also has a duty to arrange to secure continuous improvement in the way in which his functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

On the 1st March 2019 the Police, Fire and Crime Commissioner, launched the Fire and Rescue Plan 2019 – 2024. This statutory document sets out the fire and rescue authority's strategic vision, priorities and objectives for their fire and rescue service over the period of the document in connection with the discharge of their functions. In launching the plan, the Police, Fire and Crime Commissioner said:

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

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

The Commissioner has also approved and adopted a code of corporate governance, which is consistent with the framework of good governance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives. This statement explains how the Commissioner has complied with the code and 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 Commissioner 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 Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A revised constitution was issued in October 2017 to reflect the change of governance.

The Governance Framework

The Police, Fire and Crime Panel

The Police Reform and Social Responsibility Act 2011 brought in the responsibility for local authorities to create a Police and Crime Panel. This panel is made up of local elected councillors and independent members with the responsibility to scrutinise and support the work of the Police and Crime Commissioner.

The Policing and Crime Act 2017 amended section 28 (Powers of Police and Crime Panels) of the Police Reform and Social Responsibility Act 2011 to include the responsibilities of the new fire and rescue authority.

The functions of the Panel are:

- a) Scrutiny of the Police and Crime Plan and the Fire and Rescue Plan.
- b) Scrutiny of the Annual Report and the Fire and Rescue Statement.
- c) Scrutiny of the appointment of a Deputy PFCC, the PCC's Chief Executive and the PCC's Treasurer.
- d) Scrutiny of the appointment of the Commissioner's Chief Financial Officer.
- e) Scrutiny of the appointment and dismissal of the Chief Constable and the Chief Fire Officer.
- f) To review the precept which the PFCC is proposing to issue for both Police and Fire and Rescue, for each financial year with the power to veto the precept.
- g) To deal with certain complaints against the PFCC or Deputy PFCC.

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

The Commissioner's Governance Arrangements

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

Fire and Rescue Strategic Board

The purpose of the Fire and Rescue Strategic Board is to enable the Commissioner to review and support Essex County Fire and Rescue Service's development of strategy.

Audit Committee

The Audit Committee has been established to provide independent assurance to the Commissioner. Although having a separate Terms of Reference and meetings for fire and rescue, the independent members appointed by the Commissioner sit on both the Audit Committee for the Commissioner and the Police Service.

Fire and Rescue Performance and Resources Board

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

Emergency Services Strategic Governance Board

The Board has been established to enable the Police, Fire and Crime Commissioner to provide strategic governance and oversight of the Emergency Services Collaboration Programme.

Review of Effectiveness

The Commissioner 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 who have responsibility for the development and maintenance of the governance environment; the internal audit annual report; and by comments made by the external auditors and other review agencies and inspectorates.

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

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

Other Significant Governance Issues

Jo Turton formerly Chief Executive of Lancashire County Council was appointed as Chief Executive and Chief Fire Officer and joined the Authority in April 2018. Following this appointment a review of senior management structure took place and following an extensive and robust selection process, appointments have been made to the new positions of Deputy Chief

Fire Officer, Director of Innovation and Change and Corporate Services Director. These changes take effect from 1st April 2019.

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 the Police, Fire and Crime Commissioner. 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: Police Fire and Crime Commissioner

Signed: Chief Executive/Chief Fire Officer

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

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STATEMENT OF ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards.

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

2 Exceptional items

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

3 Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

4 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year.

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. The Authority will, however, use capital receipts and/or

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

5 Events after the balance sheet date

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

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

6 Accruals of income and expenditure

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

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

7 Provisions and contingent liabilities

7.1 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

7.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

8 Reserves

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

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

9 Cash and Cash equivalents

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

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

10 Property Plant and Equipment

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

10.1 Recognition

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

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

10.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

10.3 Impairment

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

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

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

10.4 Depreciation

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

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.

10.5 Statutory charge for capital financing

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

10.6 Disposals and Non-Current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the

gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

11 Operating Leases

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

12 Inventories and Long Term Contracts

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

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

13 Government Grants and Contributions

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

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

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

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

14 Employee Benefits

14.1 Benefits Payable During Employment

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

14.2 Termination benefits

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

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

14.3 Post-employment benefits

The Authority participates in three different pension schemes:

14.4 Local Government Pension Scheme

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

The LGPS is accounted for as a defined benefits scheme

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

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

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

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

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

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

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

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

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

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

Benefits paid – payments to discharge liabilities directly to pensioners.

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

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

14.5 Firefighters' pension schemes

There are three unfunded defined benefits schemes, originally established by the Fire Brigade Pensions Act 1925, to provide pensions for all whole-time members of the Fire and Rescue

Service. The main scheme details date from 1992 with a revised scheme in 2006 and a new scheme introduced from 1 April 2015.

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

14.6 Retained firefighters' pension scheme

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

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

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

15 Financial Instruments

15.1 Financial Liabilities

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

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

15.2 Financial Assets

Financial assets are classified into two types:

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

15.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

15.4 Available for sale assets

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

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

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

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

and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

16 Value added tax (VAT)

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

ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 March 2019

| 2017/18 Net £000 | | 2018/19 Net £000 |
|------------------------|---|------------------------|
| | Expenditure | |
| 29,878 | Firefighters | 24,769 |
| 5,351 | On call firefighters | 5,802 |
| 1,366 | Control staff | 1,466 |
| 15,185 | Support staff | 13,354 |
| 51,780 | Total Employment Costs | 45,391 |
| 2,200 | Support costs | 2,010 |
| 9,866 | Premises & Equipment | 10,249 |
| 3,681 | Other costs & services | 3,248 |
| 5,273 | Depreciation, amortisation, impairment | 4,807 |
| 130 | Financing items | 80 |
| (21) | Contribution to/(from) Reserves | (334) |
| 21,129 | Total Other Costs | 20,060 |
| 72,909 | Gross Expenditure | 65,451 |
| | Income | |
| (4,761) | Operational Income | (4,156) |
| 68,148 | Provision of Fire Services | 61,295 |
| (288) | (Gain) or loss on Disposal of Fixed Assets | (114) |
| 17 | Pension administration costs | 21 |
| | Financing and Investment Income and Expenditure | |
| 1,302 | Interest payable on debt | 1,301 |
| 23,081 | Net interest on the net defined benefit liability (asset) | 18,719 |
| (39) | Investment interest income | (83) |
| | Taxation and Non-Specific Grant Income | |
| (11,033) | Revenue Support Grant | (9,347) |
| (15,975) | Non Domestic Rates | (16,634) |
| (44,968) | Council Tax | (44,844) |
| 20,245 | (Surplus) or Deficit on Provision of Services | 10,314 |
| (4,934) | (Surplus) or deficit on revaluation of non current assets | (1,823) |
| (140,709) | Remeasurements of the net defined benefit liability (asset) | 12,063 |
| (145,643) | Other Comprehensive Income and Expenditure | 10,240 |
| (125,398) | Total Comprehensive Income and Expenditure | 20,554 |

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 2018 | 6,823 | 5,761 | - | 7,790 | 20,374 | (663,748) | (643,374) |
| Movement in reserves during the year | | | | | | | |
| Surplus or (deficit) on the provision of services | (10,314) | - | - | - | (10,314) | - | (10,314) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (10,240) | (10,240) |
| Total Comprehensive Income & Expenditure | (10,314) | - | - | - | (10,314) | (10,240) | (20,554) |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 8) | 11,318 | - | - | 545 | 11,863 | (11,863) | - |
| Transfers to or (from) earmarked reserves | 508 | (508) | - | - | - | - | - |
| Increase (Decrease) in Year | 1,512 | (508) | - | 545 | 1,549 | (22,103) | (20,554) |
| Balance at 31 March 2019 | 8,335 | 5,253 | - | 8,335 | 21,923 | (685,851) | (663,928) |

| | 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 2017 | 6,754 | 5,459 | - | 7,025 | 19,238 | (788,010) | (768,772) |
| Movement in reserves during the year | | | | | | | |
| Surplus or (deficit) on the provision of services | (20,245) | - | - | - | (20,245) | - | (20,245) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 145,643 | 145,643 |
| Total Comprehensive Income & Expenditure | (20,245) | - | - | - | (20,245) | 145,643 | 125,398 |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 8) | 20,616 | - | - | 765 | 21,381 | (21,381) | - |
| Transfers to or (from) earmarked reserves | (302) | 302 | - | - | - | - | - |
| Increase (Decrease) in Year | 69 | 302 | - | 765 | 1,136 | 124,262 | 125,398 |
| Balance at 31 March 2018 | 6,823 | 5,761 | - | 7,790 | 20,374 | (663,748) | (643,374) |

BALANCE SHEET

AS AT 31 March 2019

| 31 March 2018 £000 | | Notes | 31 March 2019 £000 |
|-----------------------|--|-------|-----------------------|
| | Property, Plant & Equipment | 10 | |
| 104,402 | Land and Buildings | | 105,425 |
| 13,572 | Vehicles, plant and equipment | | 12,872 |
| 917 | Fixed assets under construction | | 711 |
| - | Surplus Assets | | - |
| 94 | Long Term Investments | 31 | 94 |
| 118,985 | Long Term Assets | | 119,102 |
| 432 | Inventories | 13 | 432 |
| 10,452 | Short Term Debtors | 14 | 9,672 |
| 10,096 | Cash and Cash Equivalents | 15 | 11,682 |
| 20,980 | Current Assets | | 21,786 |
| (1,258) | Short Term Borrowing | | (2,499) |
| (6,000) | Short Term Creditors | 16 | (6,194) |
| (2,408) | Grants Receipts in advance | 17 | (2,029) |
| (9,666) | Current Liabilities | | (10,722) |
| (27,000) | Long Term Borrowing | 12 | (24,500) |
| (1,046) | Provisions | 18 | (850) |
| (745,627) | Other Long Term Liabilities | 30 | (768,744) |
| (773,673) | Long Term Liabilities | | (794,094) |
| (643,374) | Net Liabilities | | (663,928) |
| | Usable Reserves | | |
| 6,823 | General Fund | | 8,335 |
| 5,761 | Earmarked General Fund Reserves | | 5,253 |
| 7,790 | Capital Receipts Reserve | | 8,335 |
| 20,374 | Usable reserves | 19 | 21,923 |
| | Unusable Reserves | | |
| 20,188 | Revaluation Reserve | | 21,726 |
| 60,788 | Capital Adjustment Account | | 60,807 |
| (508) | Holiday Pay Account | | (838) |
| 1,411 | Collection Fund Adjustment Account | | 1,198 |
| (745,627) | Pension Reserve | | (768,744) |
| (663,748) | Unusable Reserves | 20 | (685,851) |
| (643,374) | Total Reserves | | (663,928) |

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 March 2019

| 2017/18 £000 | Note | 2018/19 £000 |
|-----------------|--|-----------------|
| 20,245 | Net (surplus) or deficit on the provision of services | 10,316 |
| (16,008) | 21 Adjustment to surplus or deficit on the provision of services for non-cash movements | (15,719) |
| (765) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (545) |
| (74) | Proceeds from the sale of assets | (545) |
| (74) | EFAT Trading Ltd loan repayment | - |
| 3,398 | Net cash flows from operating activities | (5,948) |
| 3,716 | Net cash outflows from investing activities | 3,362 |
| | Purchase of assets | |
| 0 | Net cash outflows from financing activities | 1,000 |
| 7,114 | Net (increase)/decrease in cash and cash equivalents | (1,586) |
| (17,210) | Cash and cash equivalents at the beginning of the reporting period | (10,096) |
| (10,096) | Cash and cash equivalents at the end of the reporting period | (11,682) |

NOTES TO THE ACCOUNTS

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 31 to 34 and provide further information upon the financial performance of the Authority during 2018/19.

1 Expenditure and Funding Analysis

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

| 2017/18 | | | 2018/19 | | |
|--|--|---|--|--|---|
| Net Expenditure chargeable to the General Fund | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure chargeable to the General Fund | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 62,855 | 5,293 | 68,148 | 56,157 | 5,138 | 61,295 |
| (63,226) | 15,323 | (47,903) | (57,161) | 6,180 | (50,981) |
| (371) | 20,616 | 20,245 | (1,004) | 11,318 | 10,314 |
| | | | | | |
| (12,213) | | | (12,584) | | |
| (371) | | | (1,004) | | |
| (12,584) | | | (13,588) | | |

1.1 Note to the Expenditure and Funding Analysis

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

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net change for Pensions adjustments | Other differences | Total Adjustments |
|---|----------------------------------|-------------------------------------|-------------------|-------------------|
| 2018/19 | £000 | £000 | £000 | £000 |
| Provision of Fire Services | 4,807 | - | 330 | 5,137 |
| Other Income and Expenditure from the Funding Analysis | (5,086) | 11,054 | 213 | 6,181 |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit | (279) | 11,054 | 543 | 11,318 |

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

2 Significant accounting policies

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

3 Accounting standards that have been issued but not adopted

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

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

4 Critical judgements in applying accounting policies

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 2018/19. The Authority has no reason to believe that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision in future years.

Property, plant and equipment assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Authority's valuer to determine whether the carrying amount of these assets is consistent with their fair value. A full revaluation was carried out as at 31 March 2015.

5 Events after the Balance Sheet date

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

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

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

The items in the Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|--------------------------------------|---|---|
| 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 £xxk for every year that useful lives had to be reduced. |
| 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 2019 is £825,800k. The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 31.5. |
| Provisions | The Authority has made provision for potential claims for past events that may result in a transfer of economic benefits. The provisions provide for cover against possible employee, NDR and outstanding motor insurance payments. | The current carrying value of provisions as at 31 March 2019 is £795k. If provisions were overstated by 10% the provision would reduce by £80k. |

7 Material items of income and expenditure

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

8 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2018/19 | Usable Reserves | | | | Movement in Unusable Reserves £000 |
|---|------------------------------|----------------------------------|----------------------------------|------------------------------------|---------------------------------------|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Emergency Planning Reserve £000 | |
| 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) | 11,054 | - | - | - | (11,054) |
| Council tax and NDR (transfers to or from Collection Fund) | 213 | - | - | - | (213) |
| Holiday pay (transferred to the Accumulated Absences Reserve) | 330 | - | - | - | (330) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 4,808 | - | - | - | (4,808) |
| Total Adjustment to Revenue Resources | 16,405 | - | - | - | (16,405) |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (114) | 545 | - | - | (431) |
| Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account) | (4,973) | - | - | - | 4,973 |
| Total Adjustments between Revenue and Capital Resources | (5,087) | 545 | - | - | 4,542 |
| Total Adjustments | 11,318 | 545 | - | - | (11,863) |

Adjustments between accounting basis and funding basis under regulations

| 2017/18 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) Council tax and NDR (transfers to or from Collection Fund) Holiday pay (transferred to the Accumulated Absences Reserve) Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 22,377 (1,616) 21 5,272 | - - - - | - - - - | - - - - | (22,377) 1,616 (21) (5,272) |
| Total Adjustment to Revenue Resources | 26,054 | - | - | - | (26,054) |
| Adjustments between Revenue and Capital Resources Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account) | (288) (5,150) | 765 - | - - | - - | (477) 5,150 |
| Total Adjustments between Revenue and Capital Resources | (5,438) | 765 | - | - | 4,673 |
| Total Adjustments | 20,616 | 765 | - | - | (21,381) |

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.

| 2018/19 | Balance at 1 April | Additions made in year | Transfer to General Fund | Balance at 31 March |
|--|---------------------------|-------------------------------|---------------------------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| Earmarked General Fund Reserves: | | | | |
| Emergency Planning Reserve | 469 | - | (469) | - |
| On call Demand Pressures | 600 | - | - | 600 |
| On call - support | - | 400 | - | 400 |
| Operational Training Reserve | - | 600 | - | 600 |
| Spend to Save Reserve | 932 | - | (124) | 808 |
| Taxbase and Collection Account Reserve | 200 | - | - | 200 |
| National Non-Domestic Rates Collection Reserve | 200 | - | - | 200 |
| Innovation and Transformation | 2,400 | - | (440) | 1,960 |
| Rolling Budgets Reserve | 410 | 85 | (410) | 85 |
| Business Continuity Reserve | 300 | - | (150) | 150 |
| Risk Protection | 250 | - | - | 250 |
| Total | 5,761 | 1,085 | (1,593) | 5,253 |

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

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.

| 2018/19 | Land and buildings | Vehicles, plant & equipment | Assets under construction | Surplus Assets | Total PP&E |
|--|---------------------------|--|----------------------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April | 104,412 | 38,137 | 917 | - | 143,466 |
| Transfer from FAUC | - | 2,275 | (2,275) | - | - |
| Additions | 1,419 | 45 | 2,069 | - | 3,533 |
| Impairments | (1,419) | - | - | - | (1,419) |
| Reclassifications and transfers | - | - | - | - | - |
| Revaluation increases/(decreases) to Revaluation Reserve | 1,823 | - | - | - | 1,823 |
| Revaluation increases/(decreases) to surplus or deficit on the provision of services | 1,101 | - | - | - | 1,101 |
| Disposals | (139) | (2,201) | - | - | (2,340) |
| Other movements in cost or valuation | (1,762) | - | - | - | (1,762) |
| At 31 March | 105,435 | 38,256 | 711 | - | 144,402 |
| Depreciation and impairment | | | | | |
| At 1 April | 10 | 24,565 | - | - | 24,575 |
| Depreciation charge | 1,762 | 2,728 | - | - | 4,490 |
| Other movements in depreciation and impairment | (1,762) | - | - | - | (1,762) |
| Disposals | - | (1,909) | - | - | (1,909) |
| At 31 March | 10 | 25,384 | - | - | 25,394 |
| Net Book value | | | | | |
| At 31 March 2018 | 105,425 | 12,872 | 711 | - | 119,008 |
| At 31 March 2017 | 104,402 | 13,572 | 917 | - | 118,891 |

| 2017/18 | Land and buildings | Vehicles, plant & equipment | Assets under construction | Surplus Assets | Total PP&E |
|--|---------------------------|--|----------------------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April | 101,256 | 36,398 | 1,053 | - | 138,707 |
| Transfer from FAUC | - | 1,038 | (1,038) | - | - |
| Additions | 1,001 | 1,989 | 902 | - | 3,892 |
| Impairments | (1,002) | - | - | - | (1,002) |
| Reclassifications and transfers | - | - | - | - | - |
| Revaluation increases/(decreases) to Revaluation Reserve | 4,934 | - | - | - | 4,934 |
| Revaluation increases/(decreases) to surplus or deficit on the provision of services | 395 | - | - | - | 395 |
| Disposals | (446) | (1,288) | - | - | (1,734) |
| Other movements in cost or valuation | (1,726) | - | - | - | (1,726) |
| At 31 March | 104,412 | 38,137 | 917 | - | 143,466 |
| Depreciation and impairment | | | | | |
| At 1 April | 51 | 22,842 | - | - | 22,893 |
| Depreciation charge | 1,686 | 2,980 | - | - | 4,666 |
| Other movements in depreciation and impairment | (1,727) | - | - | - | (1,727) |
| Disposals | - | (1,257) | - | - | (1,257) |
| At 31 March | 10 | 24,565 | - | - | 24,575 |
| Net Book value | | | | | |
| At 31 March 2017 | 104,402 | 13,572 | 917 | - | 118,891 |
| At 31 March 2016 | 101,205 | 13,556 | 1,053 | - | 115,814 |

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 6.

The Authority's fixed assets principally include:

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

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

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

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 | |
|-------------------------|-----------|----------|------------|---------|------------|----------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Investments | | | | | | |
| Investments | 94 | 94 | - | - | 94 | 94 |
| Cash & cash equivalents | - | - | 10,096 | 11,682 | 10,096 | 11,682 |
| Debtors | | | | | | |
| Short-term debtors | - | - | 1,207 | 1,042 | 1,207 | 1,042 |
| Creditors | | | | | | |
| Short term creditors | - | - | (462) | (1,495) | (462) | (1,495) |
| Borrowings | | | | | | |
| Long term borrowing | (27,000) | (24,500) | - | - | (37,364) | (36,734) |
| Short term borrowing | - | - | (1,258) | (2,499) | - | - |

Short-term debtors and short-term creditors are valued at invoice value or equivalent. The fair value of these balances is estimated to be equivalent to their carrying value. The accounts include interest payable of **£1,301k** and interest income of **£83k**.

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 2019 the fair value of PWLB debt is **£36.7m** compared to £37.4m as at 31 March 2018.

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

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

12.3 Fair Value – Methodology and Assumptions

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

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

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

12.4 Nature of Extent of Risks Arising from Financial Instruments

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

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

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

12.5 Credit Risk

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

funds for longer term investment. The maximum exposure to credit risk at 31 March 2019 was **£11.7m** as detailed in note 15.

12.6 Liquidity Risk

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

12.7 Refinancing and Maturity risk

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

12.8 Market Risk

The Authority's exposure to interest rate movements on its borrowings is limited to new arrangements. Advice from treasury management advisors on future interest movements is used to inform decisions concerning the timing of new loans. There is an interest rate risk if the Authority is required to replenish borrowings at a higher interest rate. The maturity of borrowing is spread to minimise this risk. The sensitivity to a 1% increase in interest rates across all borrowings would increase the charge to the income and expenditure account by £280k per annum.

13 Inventories

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

| | Stores | | Vehicle parts | | Diesel | | Total | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 |
| Balance at 1 April | 409 | 235 | 95 | 109 | 80 | 89 | 584 | 432 |
| Purchases | 347 | 371 | 93 | 62 | 373 | 419 | 814 | 853 |
| Recognised as an expense | (456) | (421) | (79) | (55) | (364) | (390) | (900) | (866) |
| Provision for redundant stock | (65) | 13 | - | - | - | - | (65) | 13 |
| Balance at 31 March | 235 | 198 | 109 | 116 | 89 | 118 | 432 | 432 |

14 Debtors

The analysis of Debtors is shown below:

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

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

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

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in note 32.

15 Cash and cash equivalents

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

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

16 Creditors

The analysis of Creditors is shown below:

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

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in note 32.

17 Grant receipts in advance

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

18 Provisions

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

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

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

19 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:

19.1 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.

19.2 Capital grants unapplied

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

19.3 Capital receipts reserve

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

20 Unusable reserves

An analysis of the unusable reserves is shown below:

| 2017/18 | | 2018/19 |
|-----------|------------------------------------|-----------|
| £000 | | £000 |
| 20,188 | Revaluation Reserve | 21,726 |
| 60,788 | Capital Adjustment Account | 60,807 |
| (508) | Holiday Pay Account | (838) |
| 1,411 | Collection Fund Adjustment Account | 1,198 |
| (745,627) | Pensions Reserve | (768,744) |
| (663,748) | | (685,851) |

20.1 Revaluation reserve

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

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

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

| 2017/18 | | 2018/19 |
|---------|---|---------|
| £000 | | £000 |
| 15,616 | Balance at 1 April | 20,188 |
| 4,934 | Upward revaluation of assets | 1,823 |
| 4,934 | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | 1,823 |
| (192) | Difference between fair value depreciation and historical cost depreciation | (254) |
| (170) | Accumulated gains on assets sold | (31) |
| (362) | Amount written off to the Capital Adjustment Account | (285) |
| 20,188 | Balance at 31 March | 21,726 |

20.2 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.

| 2017/18 | | 2018/19 |
|---------|--|----------------|
| £000 | | £000 |
| 61,025 | Balance at 1 April | 60,788 |
| | Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement: | |
| (5,667) | Charges for depreciation & impairment of non current assets | (5,909) |
| 395 | Revaluation gains/(losses) | 1,101 |
| (477) | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure statement | (431) |
| 362 | Adjusting amounts written out of the Revaluation Reserve | 285 |
| (5,387) | Net written out amount of the cost of non current assets consumed in the year | (4,954) |
| | Capital financing applied in the year: | |
| 5,150 | Statutory provision for the financing of capital investment charged against the General Fund balance | 4,973 |
| 5,150 | | 4,973 |
| 60,788 | Balance at 31 March | 60,807 |

20.3 Holiday pay account

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

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

20.4 Collection fund adjustment account

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

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

20.5 Pension reserve

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

| 2017/18 £000 | | 2018/19 £000 |
|------------------|--|------------------|
| (863,959) | Balance at 1 April | (745,627) |
| 140,709 | Actuarial gains or (losses) on pension assets and liabilities | (12,063) |
| (22,377) | 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 | (11,054) |
| (745,627) | Balance at 31 March | (768,744) |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (5,667) | Depreciation and impairments | (5,909) |
| 395 | Revaluation gains/(losses) | 1,101 |
| 12,315 | (Increase)/decrease in creditors | 615 |
| (198) | (Increase)/decrease in provisions | 196 |
| (152) | Increase/(decrease) in inventories | - |
| (607) | Increase/(decrease) in debtors | (786) |
| (5) | (Increase)/decrease in provision for bad debts | 4 |
| (22,377) | Movement in pension liability | (11,054) |
| 288 | Carrying amount of non-current assets sold | 114 |
| - | Other non cash adjustments | - |
| (16,008) | | (15,719) |

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

22 Governance expenses

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

23 Officers' remuneration

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

| Remuneration band | Number of officers | |
|---------------------|--------------------|---------|
| | 2017/18 | 2018/19 |
| £50,000 - £54,999 | 47 | |
| £55,000 - £59,999 | 11 | |
| £60,000 - £64,999 | 17 | |
| £65,000 - £69,999 | 3 | |
| £70,000 - £74,999 | 3 | |
| £75,000 - £79,999 | 3 | |
| £80,000 - £84,999 | 3 | |
| £85,000 - £89,999 | 1 | |
| £90,000 - £94,999 | 1 | |
| £100,000 - £104,999 | - | |
| £105,000 - £109,999 | - | |
| £115,000 - £119,999 | 1 | |
| £120,000 - £124,999 | 1 | |
| £180,000 - £184,999 | - | |
| £185,000 - £189,999 | 1 | |
| £195,000 - £199,999 | - | |

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

23.1 2018/19

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

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 23 (above).

23.2 2017/18

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

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 23 (above).

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

24 External Audit costs

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

25 Related parties

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Provided services to: | |
| | UK Central Government | |
| 11,033 | Revenue Support Grant | 9,347 |
| 15,975 | Non Domestic Rates (NDR) Grant | 16,634 |
| 68 | Police, Fire and Crime Commissioner for Essex | 52 |
| 351 | Essex Police | 634 |
| 133 | Essex County Council | 189 |
| 532 | EFA Trading Ltd | 567 |
| 28,092 | | 27,423 |
| | Received services from: | |
| 100 | Police, Fire and Crime Commissioner for Essex | 214 |
| 85 | Essex Police | 231 |
| 903 | Essex County Council | 775 |
| 230 | Fire and Rescue Indemnity Company Ltd. | 213 |
| 1,317 | | 1,433 |

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

26 Capital expenditure and capital financing

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

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

27 Operating Leases

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

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

28 Capital Commitments

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

29 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 | |
| 2017-18 | | | |
| up to £20K | 1 | - | 13 |
| £20K to £40K | 1 | - | 37 |
| £40K to £60K | 1 | - | 57 |
| £260K to £280K | 1 | - | 280 |
| Total 2017-18 | 4 | - | 387 |
| 2018-19 | | | |
| up to £20K | - | - | - |
| £20K to to £40K | - | - | - |
| £40K to £60K | - | - | - |
| £60K to £80K | - | - | - |
| £80K to £100K | - | - | - |
| £100K to £120K | - | - | - |
| Total 2018-19 | - | - | - |

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

30 Pensions

30.1 Participation in pension schemes

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

On 1 April 2015 a new Firefighters' Pension Scheme was introduced, and the following notes include the data for the three schemes combined, 2015, 2006 and 1992. Employees' and employers' contributions into the Firefighters' Pension Fund are determined by the Secretary of State on the advice of the Government Actuary. Payments of pensions and other retirement benefits are made from the Pension Fund (see page 62). Government grant is payable to cover any shortfall on the Pension Fund account.

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

30.2 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 | |
|---|----------------|--------------|-----------------|---------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Net cost of services: | | | | |
| Service cost | 3,827 | 3,074 | 16,889 | 12,149 |
| Net interest on the defined liability (asset) | 833 | 665 | 22,248 | 18,054 |
| Administration expenses | 17 | 21 | - | - |
| Remeasurements in Other Comprehensive Income | (5,691) | (2,360) | (135,018) | 14,423 |
| Net charge to the CIES | (1,014) | 1,400 | (95,881) | 44,626 |
| Adjustments between accounting basis & funding basis under regulations: | | | | |
| Reversal of net charges made for retirement benefits in accordance with IAS 19 | 4,677 | 3,760 | 39,137 | 30,203 |
| Actual amount charged against the general fund balance for pensions in the year: | | | | |
| Employers' contributions payable to scheme | 2,636 | 1,649 | 18,664 | 21,305 |
| Net charge to the General Fund Summary | 7,313 | 5,409 | 57,801 | 51,508 |

30.3 Assets and liabilities in relation to retirement benefits

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

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

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

Reconciliation of asset and benefit obligation:

| | LGPS | | Firefighters | |
|--|-----------------|-----------------|------------------|------------------|
| | 31/03/18 | 31/03/19 | 31/03/18 | 31/03/19 |
| | £000 | £000 | £000 | £000 |
| Opening Defined Benefit Obligation | (78,525) | (80,854) | (832,964) | (718,419) |
| Current service cost | (3,808) | (3,600) | (16,189) | (11,680) |
| Interest cost | (2,183) | (2,025) | (22,248) | (18,054) |
| Change in assumptions | 2,549 | 490 | 21,928 | (14,423) |
| Liabilities assumed on settlements | - | 1,004 | - | - |
| Experience loss/(gain) on defined benefit obligation | 0 | 0 | 113,090 | - |
| Estimated benefits paid net of transfers in | 1,819 | 1,587 | 22,105 | 24,581 |
| Past service costs, including curtailments | (19) | - | (700) | (469) |
| Contributions by Scheme participants | (708) | (683) | (3,441) | (3,276) |
| Unfunded pension payments | 21 | 21 | - | - |
| Closing Defined Benefit Obligation | (80,854) | (84,060) | (718,419) | (741,740) |

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

| | LGPS | | Firefighters | |
|---|---------------|---------------|--------------|----------|
| | 31/03/18 | 31/03/19 | 31/03/18 | 31/03/19 |
| | £000 | £000 | £000 | £000 |
| Opening fair value of Scheme assets | 47,460 | 53,439 | - | - |
| Interest on assets | 1,350 | 1,360 | - | - |
| Return on assets less interest | 3,142 | 1,870 | - | - |
| Administration expenses | (17) | (21) | - | - |
| Contributions by employer including unfunded | 2,636 | 1,649 | 18,664 | 21,305 |
| Contributions by Scheme participants | 708 | 683 | 3,441 | 3,276 |
| Estimated benefits paid plus unfunded net of transfers in | (1,840) | (1,608) | (22,105) | (24,581) |
| Other actuarial gains/(losses) | - | 0 | - | - |
| Settlement prices received | - | (478) | - | - |
| Closing fair value of Scheme assets | 53,439 | 56,894 | - | - |

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

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

30.4 Scheme history

| | 31/03/15 | 31/03/16 | 31/03/17 | 31/03/18 | 31/03/19 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Assets in pension scheme | 37,194 | 39,082 | 47,460 | 53,439 | 56,894 |
| Present Value of Defined Benefit Obligation | (59,099) | (59,381) | (78,525) | (80,854) | (84,060) |
| Surplus/(deficit) in the Scheme | (21,905) | (20,299) | (31,065) | (27,415) | (27,166) |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£825.8m** (£799.3m 2017/18) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£768.7m**.

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

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary; and
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local government Pension Scheme by the Authority in the year to 31 March 2020 is **£1.6m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2020 are **£3.9m**.

30.5 Basis for estimating assets and liabilities

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

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

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

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

| | LGPS | | Firefighters | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Increase in Assumption | Decrease in Assumption | Increase in Assumption | Decrease in Assumption |
| | £000 | £000 | £000 | £000 |
| Longevity (increase or decrease in 1 year) | 87,020 | 81,200 | 771,722 | 712,954 |
| Rate of increase in salaries (increase or decrease by 1%) | 84,240 | 83,880 | 742,964 | 740,525 |
| Rate of increase in pensions (increase or decrease by 1%) | 85,620 | 82,532 | 754,826 | 728,922 |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | 82,354 | 85,802 | 727,720 | 756,065 |

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

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

30.6 Pensions Reserve

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

| | LGPS | | Firefighters | |
|--|---------------|---------------|----------------|----------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Opening balance: | 31,065 | 27,415 | 832,964 | 718,419 |
| Current service cost | 3,808 | 3,600 | 16,189 | 11,680 |
| Interest cost | 2,183 | 2,025 | 22,248 | 18,054 |
| Changes in assumptions | (2,549) | (490) | (21,928) | 14,423 |
| Experience loss/(gain) on defined benefit obligation | 0 | 0 | (113,090) | - |
| Liabilities assumed on settlements | - | (1,004) | - | - |
| Past service cost, including curtailments | 19 | - | 700 | 469 |
| Contributions by employer including unfunded | (2,636) | (1,649) | (18,664) | (21,305) |
| Interest on assets | (1,350) | (1,360) | - | - |
| Return on assets less interest | (3,142) | (1,870) | - | - |
| Other actuarial gains/(losses) | - | - | - | - |
| Administration expenses | 17 | 21 | - | - |
| Settlement prices received | - | 478 | - | - |
| Balance at 31 March | 27,415 | 27,166 | 718,419 | 741,740 |

31 Long Term Investments

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

32 Council Tax and Non Domestic Rates

The Council Tax and Non Domestic (Business) Rates (NDR) income included on the Comprehensive Income and Expenditure Statement is the Authority's share of accrued

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

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

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

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

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

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

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

33 Premiums and Discounts

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

34 Financial Guarantees

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

35 Price and Foreign Exchange Risk

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

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

FIREFIGHTERS' PENSION FUND ACCOUNT

FOR THE YEAR ENDED 31 March 2019

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

FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 March 2019

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

NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

1 Background

A new Firefighters' Pensions Scheme (2015) was introduced for regular and retained firefighters employed with effect from 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 2019.

2 Accounting policies

2.1 Accounting convention

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

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

2.2 Contributions

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

2.3 Benefits payable

Retirement benefits are accounted for on an accrual basis.

2.4 Transfers to / from other Schemes

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

2.5 Basis of preparation and International Financial Reporting Standards

The Pension Fund Statement of Account summarises the transactions of the scheme and the net assets of the Fund. The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year. The liability of the Authority in respect of Firefighter pensions is reported in Note 31 to the Authority's accounts.

GLOSSARY OF TERMS

1 Accounting period

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

2 Accruals

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

3 Actuarial gains and losses

For defined benefit schemes, the changes in actuarial deficits or surpluses arise because: events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

4 Asset

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

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

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

5 Audit of accounts

An independent review of the Authority's financial affairs.

6 Balance sheet

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

7 Budget

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

8 Capital expenditure

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

9 Capital financing

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

10 Capital programme

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

11 Capital receipt

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

12 CIPFA

The Chartered Institute of Public Finance and Accountancy.

13 Collection fund

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

14 Consistency

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

15 Contingent asset

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

16 Contingent liability

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

17 Creditor

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

18 Current service cost (pensions)

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

19 Debtor

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

20 Deferred charges

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

21 Defined benefit pension scheme

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

22 Depreciation

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

23 Discretionary benefits (pensions)

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

24 Equity

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

25 Events after the balance sheet date

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

26 Exceptional items

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

27 Expected return on pension assets

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

28 Extraordinary items

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

29 Fair value

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

30 Government grants

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

31 Impairment

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

32 Income and expenditure account

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

33 Interest cost (pensions)

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

34 Investments (pension fund)

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

35 Liability

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

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

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

36 Liquid resources

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

37 Long term contract

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

38 Materiality

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

39 Minimum Revenue Provision (MRP)

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

40 Net book value

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

41 Net debt

The Authority's borrowings less cash and liquid resources.

42 Non-domestic rates (NDR)

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

43 Non-operational assets

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

44 Operating lease

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

45 Operational assets

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

46 Past service cost (pensions)

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

47 Pension scheme liabilities

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

48 Precept

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

49 Prior year adjustment

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

50 Provision

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

51 Public Works Loan Board (PWLB)

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

52 Rateable value

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

53 Related parties

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

54 Related party transactions

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

55 Remuneration

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

56 Reserves

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

57 Residual value

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

58 Retirement benefits

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

59 Revenue expenditure

The day-to-day expenses of providing services.

60 Revenue support grant

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

61 Stocks

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

62 Temporary borrowing

Money borrowed for a period of less than one year.

63 Useful economic life (UEL)

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