

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

## 2021/22 ACCOUNTS



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# Essex County Fire & Rescue Service Introduction



## Police Fire and Crime Commissioner's Introduction

### 1 Police, Fire and Crime Commissioner – Roger Hirst



Essex County Fire and Rescue Service has made significant progress during the year, building on its central leadership role in responding to the pandemic, working with partners across Essex to keep our communities safe and continuing to develop its own capabilities.

The Service has been rightly praised for its role in supporting the Essex wide response to the COVID Pandemic by working with the East of England Ambulance Service, Essex Police and wider partners. The Service has provided over 7770 hours of support driving ambulances since the start of the pandemic and 68 staff have been a central part of the volunteer effort to get our county vaccinated. This huge contribution has been recognised by partners and also HMICFRS who inspected the service's response to the pandemic during 2021 and provided very strong positive feedback.

The Service has also continued to deliver its prevention, protection and response programmes. There were 725 dwelling fires in Essex this year compared to 738 in 2020-2021 and 818 in 2017-2018. This is a 13% reduction over five years and is part of a longer-term trend where due to effective prevention activity, the number of fires are falling year on year. At the same time, we have continued to see an increase in the number of special service incidents provided by the Service, ranging from responding to Road Traffic Collisions, rescuing people trapped or other emergency response activities. This shows a natural broadening of the response activities being undertaken by the Service and reflects the evolution of a Service that has proven itself effective at prevention, but which maintains a vital role in keeping us all safe.

Throughout the year the Service carried out 6,646 safe and well and home safety checks, an increase from 4,346 during 2020-2021. The service also fitted 7,540 smoke alarms including 1,125 sensory alarms. This activity makes a real difference across Essex as by identifying those most at risk and helping them reduce this we protect them and continue to drive down the risk of fires across the county. The Chief Fire Officer and I have a shared ambition to significantly increase the volume and impact of these visits now they are less restrained by the impact of COVID, and we expect the number of visits to significantly increase during the next year.

The Service has also worked closely with partners to develop a much better understanding of the types of vulnerabilities or situations that increase risk. This assessment of previous fatal dwelling fires led to a clear indication that recent trauma, physical or mental injuries and social isolation are key risk factors when looking at the most vulnerable in our society. This insight is being used to target prevention activity both from the Service and the wider public sector in Essex.

Throughout the year we have once again made significant investments in our protection capability as the learning from the Grenfell inquiry has been implemented. The Service undertook a Building Risk Review which provided a much more detailed picture of the buildings in Essex and their level of risk. This has resulted in a much better assessment of risk and several enforcement actions where the Service has stepped up to ensure owners take responsibilities of issues that they have identified. Focusing on those at the highest risk, our Protection team has done a good job undertaking 1071 full audits and 113 desktop audits out of a total of 6759 jobs. While this is a significant step forward since the last year where 319 full audits were undertaken, there is still a long way to go for us to have both the capacity and capability within our protection capacity to fully meet our ambitions.

As highlighted by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services (HMICFRS) we must keep our focus on improving and developing this area. The Service was reinspected by HMICFRS towards the end of the year, and this provided a useful external view on the progress we have made in recent years and the areas where we need to continue to develop.

The report highlights that there are clear areas of progress since the 2019 inspection. However, there remains areas where significant progress is still required, especially in areas such as prevention and protection, where we need to see a significant increase in the level of prevention work done by staff on stations to reduce risks to the public and critical investment in the training of fire protection staff.

As HMICFRS highlight in their report, we must not underestimate the scale of the cultural challenges the service has faced in the past. It is positive, that, like us, HMICFRS has seen progress in this area, especially in promoting the right values and culture. Achieving cultural change is difficult, especially given the challenges faced during the COVID 19 pandemic, but one which is fundamental to improving performance across the service. HMICFRS rightly point out that we now have a much more detailed picture of our financial position, and we are pleased that the budgeting process this year has allowed us to find the resources we need through savings and investments to keep the public of Essex safe.

Our cultural change programme which has been a huge piece of work over recent years continues to make a significant impact. This year it was a pleasure to launch the national Code of Ethics within Essex. This provides a strong transparent ethical framework for everything the Service does and complements the excellent work the Services has done in defining and embedding its values. We have also committed to a more robust and regular staff survey to help us assess our progress.

This report is important as it provides public reassurance of the Service's financial management through the publication of their Statements of Accounts for 2021-2022. Financially, the Service has fared well this year with significant improvements in its financial controls and visibility which has provided the necessary reassurance for us to continue to make sizable investments in modernising and developing the service. In particular, the Service has continued to increase its level of investment in technology following the agreement of the Digital and Data Strategy. This has led to the establishment of a programme of work that will enable our firefighters and staff to connect in a much more efficient way and as a result be able to deliver a much more effective service to the public.

Greater efficiency has also been delivered through our emergency services collaboration programme where our joint education teams have shown significant innovation adapting to the restrictions on visiting schools during the pandemic and have been able to continue to deliver a wide range of inputs with schools. Prior to the pandemic this programme was reaching 98% of all primary age school children. In the last year they have seen 100,831 children, 52,527 face to face and 48,441 virtually. This collaborative programme will save £1.8 million in delivery costs between 2017 and 2027. The co-location of the Harwich Police station on the existing Fire Station site will also save money and strengthen collaborative working.

As a county with significant rural areas, I was particularly pleased to see the success of our Tri-Service Rural Community Prevention project which has been piloted during the year in the Dengie area of Maldon. This project uses a single officer to provide visibility, prevention activities and advice, as well as other community-based support to residents on behalf of all three emergency services. Initial feedback suggests this has had a positive impact on local engagement with residents and has resulted in financial benefits to all services.

I was also pleased this year to promote Rick Hylton to the role of Chief Fire Officer. Rick has already made a significant contribution to developing safer communities in Essex as our Deputy Chief Fire Officer and together we have a clear and ambitious vision for the Service to be one of the best Fire and Rescue Services in the country.

We have achieved a lot in the last year, and I want to thank all staff across Essex County Fire and Rescue Service for their work during the year to make our communities safer and improve the service we offer to the public.

## Written statements and Chief Finance Officer Narrative Report

### 2 Review of the year - Chief Fire Officer/Chief Executive – Rick Hylton



I am delighted to share with you Essex County Fire and Rescue Service's Statement of Accounts 2021/22. This report has been developed to help our public understand our Service, and how we manage our budgets and spend our money.

Our vision is that safe and secure communities are the bedrock on which we build wellbeing and prosperity for all. To do this, our Service needs to be efficient and effective across all the services we provide, preventing incidents wherever possible and making sure we're embedded in our communities across Essex.

To be able to do this, we need the right financial support and for our budgets to be managed in the correct way. Our Statement of Accounts outlines some of the key financial issues in areas such as revenue and capital spending, ensuring that we are investing in areas that help drive change, reduce risk, and ensure that we can continue to provide a first-class emergency response service. Our priorities for improvement and investment are in our people, prevention, protection, response, and technology. Our budget is planned to enable us to develop and deliver against these.

#### Covid-19

The last two years has seen us continue to adapt and do things differently, responding to the pandemic while meeting the needs of our communities. It has seen us innovate, it has connected our staff and has created a more positive organisation that is committed to high performance. And we made sure our Service was sustainable financially, even with the additional resources we have needed.

In 2021 we were inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, who commended our Service for our response to the pandemic, noting that staff wellbeing was a clear priority. Since then, we have had our second full inspection and in July 2022, we received the report and gradings. The report didn't contain any surprises for us, and we know what we need to do.

Although the report has rated that we require improvement across the three areas of assessment, it has recognised that we are good at understanding fire and other risks. We already have plans in place to cover all the areas for improvement highlighted, and we have already made progress since this inspection took place. One area highlighted in the report is our improvement in promoting the right values and culture to our people. This was graded as inadequate in a previous inspection. And although we still have a long way to go, I'm pleased that the work we are doing to embed and promote the right values and culture has been recognised by the inspectors.

Alongside delivering prevention and protection activities and responding to incidents, we've continued to use our resources, capabilities, and willingness to do more to support the wider combined response. We were at the forefront of Essex's Covid booster campaign, delivering lateral flow tests, setting up vaccination sites and supporting as stewards as well as vaccinators. Together, we gave a combined 475 hours at vaccination centres, and our trained vaccinators gave 1,800 doses.

The pandemic has shown us that risks can present themselves in different ways and our work with the Essex Resilience Forum, alongside our robust business continuity plans and our approach to budgeting, has meant that we were prepared, maintained our core services, and put the welfare of our staff at the heart of our decisions and activities. The Essex Resilience Forum was critical to the success of local partnership working during the pandemic and provided a good way for our Service to continue to develop and build relationships with our partners and position Essex County Fire and Rescue Service well within our county.

### **Ukraine**

Our thoughts are with everyone affected by the conflict in Ukraine and all those people whose lives have been turned upside down.

As a Service we collected enough donations to fill two 7.5 tonne lorries to be delivered to the Polish border for refugees fleeing Ukraine. We filled 300 boxes with essential items like clothes, nappies, wet wipes, tinned food, and pet food. Thank you to everyone who has taken the time to help us with this appeal; our colleagues who have kindly volunteered to sort through donations and have given their time and donations generously and our public and local businesses who have been so generous.

Alongside our own donation efforts, we were also proud to have donated kit and equipment that made its way over to Ukraine in March 2022. This was the biggest UK fire service convoy – made up of 22 vehicles and more than 5,000 items of kit and equipment – and arrived in Poland before being transferred to Ukraine. The equipment is being used to support emergency services which are dealing daily with fires and other emergencies to protect lives, people and property as the invasion devastates the country, often using old or worn equipment.

The 22-strong vehicle convoy included 15 fire engines, an incident response unit, a hydraulic rescue platform, mechanical support for the journey and two lorries containing equipment such as thermal imaging cameras, generators, lighting, hoses, and thousands of sets of Personal Protective Equipment.

### **Red weather warning - Storm Eunice**

Friday 18 February 2022 was an exceptional day for our Service as one of the most severe storms in decades swept across the UK.

On average, our Control room receives between 40-50 calls a day but we received around 500 calls in response to Storm Eunice. Crews and Control room teams dealt with a wide range of incidents including collapsed and damaged buildings, large fallen trees, damage to power cables and small fires. We were well prepared and our teams did an excellent job to keep our residents safe. We had our resources and specialist equipment in the right place and our teams were ready to respond.

Our firefighters and colleagues, our emergency services, local authority and utility company partners, as well as the people of Essex who listened to our advice and messages, all played their part. It was a real team effort and shows once again how Essex unites when faced with challenges.



### Our commitment to you

Despite the pressures and the roles we've stepped up and into, we've continued to provide prevention, protection and response services to the communities across Essex. We'll always be there when you need us.

Over the course of the last few years, we have developed plans to improve the service we deliver and build the capability for the future and now we're looking to up the pace. We want to be one of the best Fire and Rescue Services in the UK. It's what our public deserves.

From April 2021 to March 2022, we attended 15,426 incidents, carried out 6,646 safe and well and home safety checks, and we fitted 7,540 smoke alarms including 1,125 sensory alarms. The Safeguarding team received 1149 safeguarding referrals, 1105 for adults and 44 for children. And the Education team have seen 100,831 children, with over half of these interactions face to face (52,527), and 48,441 virtually. The Protection team completed 6759 jobs, this includes 1071 (803 against our Risk Based Inspection Process) full audits and 113 (110 RBIP) desktop audits against premises. 97% of statutory consultations received were responded to within the statutory time limit.

We continue to design and deliver safety campaigns and messages across our digital channels and work with our partners and our local media to share our messages and reach the public. Our digital channels continue to be a key tool when informing the public about safety and incident information, with 1.26 million website views in a year alongside reaching 49.3 million people across our social media channels. Our monthly newsletter and press releases reached 34,600 people.

### Our People

Our people are the heart of our organisation; they're our greatest asset and they've continued to shine in this last year. We've continued to attract and recruit and between April 2021 to March 2022 we welcomed 37 wholtime firefighters, 107 on-call firefighters and 33 support staff into our Service.

In March 2022, we held our largest ever Long Service and Good Conduct medal ceremony, where we recognised our people who have served 20, 30 and more than 40 years in our Service. I am, of course, always proud of the achievements of our people and their dedication and long service and the evening was one of the highlights of my year. Due to the pandemic, we'd done things a little differently the last two years, so it was great to get people back together and take the time to celebrate and pay tribute to their hard work and dedication to duty over many years.

March also saw us host a virtual conference to celebrate International Women's Day. Our tri-service approach – Essex County Fire and Rescue Service, the Police, Fire and Crime Commissioner for Essex, the East of England Ambulance Service NHS Trust and Essex Police – hold this event annually to celebrate and recognise the achievements of women in the emergency services.

This year's theme was *#BreakTheBias*, and I am proud to say that across our emergency services and throughout Essex, we live and work in a place where difference is valued and celebrated. But there are still improvements to be made, and collectively we are all striving for equality and continue to make positive gains.

In my role as Chief Fire Officer / Chief Executive, I want our Service to be one of the best in the UK. That means our communities are safe and our people can thrive. We have focused on having a culture that is safe and fair. Our recruitment is transparent, and we continuously seek to attract underrepresented groups through positive action.

I'm also incredibly proud that our Service has achieved the Bronze Inclusive Employers Standard, which is another important step for our inclusion, diversity, and equality work. The standard, which is only awarded to a handful of organisations in both the public and private sectors, helps us to assess how effective our inclusion work is and provides detailed feedback to enable further development and progress of our inclusion and diversity priorities. While the Bronze accreditation is an important step, it isn't any kind of finishing line; we're aiming for Gold. But this accreditation does give us another means of demonstrating what we offer as an employer, which will support our recruitment of the very best candidates as part of our aim to become one of the best fire and rescue services in the country.

And finally, thank you to all our communities for the continued support they give to all of us at Essex County Fire and Rescue Service. Whether that has been following our safety advice, coming to our charity car washes, donating items to our Ukraine appeal or passing on details of a vulnerable neighbour or person for us to visit. However, you have supported us this year, thank you.

### 3 Chief Finance Officer's Narrative Report



#### Introduction

This Statement of Accounts explains the Authority's finances during the financial year 2021/22 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 2021/22 comprise:

#### **The Comprehensive Income and Expenditure Statement**

(Page 48): This is in two sections; the first section shows the net surplus or deficit on the provision of services as a result of income received and expenditure incurred over the financial

year. The second section shows any other changes in net worth not included in the first section. Examples here will include any surplus or deficit on the current value of property, plant and equipment and the remeasurement of the net defined benefit liability.

#### **The Movement in Reserves Statement (MIRS)** (Page 49):

This statement shows the in-year movement on the reserves held by the Authority. These reserves are divided into two types, usable and unusable, with only the former being able to be applied to fund expenditure. This Statement also shows the change in the General Fund balance and the discretionary transfers that are undertaken to or from earmarked reserves.

#### **The Balance Sheet** (Page 50):

This sets out the financial position of the Authority at the end of the financial year. The top section of the Balance Sheet provides details of assets and liabilities, and the bottom section shows the amounts held in the various reserves. The Cash Flow Statement: Summarises the inflows and outflows of cash during the year analysed between those arising as a result of the Authority's operations, from investing activity and those attributable to financing decisions.

#### **The Cash Flow Statement** (Page 51):

Summarises the inflows and outflows of cash during the year analysed between those arising as a result of the Authority's operations, those arising from investing activity and those attributable to financing decisions.

#### **Firefighters' Pension Fund** (Page 91):

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.

## 4 Revenue Budget and Expenditure

The Authority's published budget for 2021/22 showed net expenditure before funding of **£75.8m**, which included government grant income of **£6.38m**. The budget is available at: [pdf 1614612180.pdf](pdf/1614612180.pdf) ([essex-fire.gov.uk](http://essex-fire.gov.uk))

For internal reporting purposes, this government grant income has been reclassified as funding, to give a restated net expenditure before funding of **£82.18m**.

The Authority's core budget spend before funding is **£80.35m**. The budget was set against the difficult backdrop of the Covid 19 pandemic. The Chancellor announced in the November 2020 Spending Review that there would be a public sector pay freeze and as such the Authority did not make any allowance in its budget for any annual pay increase.

In addition, the Authority committed **£1.83m** from Earmarked Reserves to fund one-off investments making a total budget spend of **£82.18m**. The end of year position is set out within the table below which compares actual net expenditure with the approved budget:

| 2020/21         |  | 2021/22         |                  |                 | 2021/22         |                  |                 | 2021/22              |                           | 2021/22               |
|-----------------|--|-----------------|------------------|-----------------|-----------------|------------------|-----------------|----------------------|---------------------------|-----------------------|
| Actual          | Description                            | Core Actual     | Earmarked Actual | Total Actuals   | Core Budget     | Earmarked Budget | Total Budget    | Core Budget Variance | Earmarked Budget Variance | Total Budget Variance |
| £000            |  | £000            | £000             | £000s           | £000            | £000s            | £000s           | £000s                | £000s                     | £000                  |
| 35,435          | Wholetime Firefighters                 | 35,052          | 437              | 35,489          | 34,061          | 279              | 34,340          | (991)                | (158)                     | (1,149)               |
| 7,064           | On call firefighters                   | 7,522           | 39               | 7,561           | 7,081           | -                | 7,081           | (441)                | (39)                      | (480)                 |
| 1,615           | Control                                | 1,575           | -                | 1,575           | 1,568           | -                | 1,568           | (7)                  | -                         | (7)                   |
| 14,937          | Support staff                          | 14,985          | 620              | 15,605          | 14,985          | 89               | 15,074          | 0                    | (531)                     | (531)                 |
| <b>59,051</b>   | <b>Total Employment Costs</b>          | <b>59,133</b>   | <b>1,096</b>     | <b>60,229</b>   | <b>57,695</b>   | <b>368</b>       | <b>58,063</b>   | <b>(1,438)</b>       | <b>(728)</b>              | <b>(2,166)</b>        |
| 2,135           | Support costs                          | 2,161           | 199              | 2,360           | 1,838           | 310              | 2,148           | (323)                | 111                       | (212)                 |
| 10,439          | Premises & Equipment                   | 9,862           | 484              | 10,346          | 10,024          | -                | 10,024          | 162                  | (484)                     | (322)                 |
| 2,869           | Other costs & services                 | 3,065           | 81               | 3,146           | 3,278           | -                | 3,278           | 213                  | (81)                      | 132                   |
| 2,253           | Ill health pension costs               | 2,212           | -                | 2,212           | 2,276           | -                | 2,276           | 64                   | -                         | 64                    |
| 5,370           | Financing Items                        | 5,229           | -                | 5,229           | 6,215           | -                | 6,215           | 986                  | -                         | 986                   |
| <b>23,066</b>   | <b>Total Other Costs</b>               | <b>22,530</b>   | <b>763</b>       | <b>23,293</b>   | <b>23,631</b>   | <b>310</b>       | <b>23,941</b>   | <b>1,101</b>         | <b>(453)</b>              | <b>648</b>            |
| -               | Investment in productivity improvement | -               | -                | -               | -               | 1,151            | 1,151           | -                    | 1,151                     | 1,151                 |
| <b>82,117</b>   | <b>Gross Expenditure</b>               | <b>81,664</b>   | <b>1,859</b>     | <b>83,523</b>   | <b>81,326</b>   | <b>1,829</b>     | <b>83,155</b>   | <b>(338)</b>         | <b>(30)</b>               | <b>(368)</b>          |
| (1,439)         | Operational Income                     | (1,650)         | -                | (1,650)         | (975)           | -                | (975)           | 675                  | -                         | 675                   |
| <b>80,678</b>   | <b>Net Expenditure before Funding</b>  | <b>80,012</b>   | <b>1,859</b>     | <b>81,871</b>   | <b>80,351</b>   | <b>1,829</b>     | <b>82,180</b>   | <b>339</b>           | <b>(30)</b>               | <b>309</b>            |
| <b>Funding</b>  |  |                 |                  |                 |                 |                  |                 |                      |                           |                       |
| (7,833)         | Government Grants                      | (7,637)         | (135)            | (7,772)         | (6,386)         | -                | (6,386)         | 1,251                | 135                       | 1,386                 |
| (8,473)         | Revenue Support Grant                  | (8,511)         | -                | (8,511)         | (8,520)         | -                | (8,520)         | (9)                  | -                         | (9)                   |
| (16,919)        | Non Domestic Rates                     | (16,901)        | -                | (16,901)        | (16,519)        | -                | (16,519)        | 382                  | -                         | 382                   |
| (543)           | Council Tax Collection Account         | (80)            | -                | (80)            | (400)           | -                | (400)           | (320)                | -                         | (320)                 |
| (47,765)        | Council Tax Precepts                   | (47,796)        | -                | (47,796)        | (47,451)        | -                | (47,451)        | 345                  | -                         | 345                   |
| 37              | Collection Fund Adjustment Account     | 3               | -                | 3               | -               | -                | -               | (3)                  | -                         | (3)                   |
| <b>(81,496)</b> | <b>Total Funding</b>                   | <b>(80,923)</b> | <b>(135)</b>     | <b>(81,058)</b> | <b>(79,276)</b> | <b>-</b>         | <b>(79,276)</b> | <b>1,647</b>         | <b>135</b>                | <b>1,782</b>          |
| (818)           | <b>Funding Gap/(Surplus)</b>           | (910)           | 1,724            | 814             | 1,075           | 1,829            | 2,904           | 1,985                | 105                       | 2,090                 |
| -               | Contribution to/(from) General Bals    | -               | 135              | 135             | -               | -                | -               | -                    | (135)                     | (135)                 |
| (64)            | Contribution to/(from) Earmarked Res   | 123             | (1,859)          | (1,737)         | -               | (1,829)          | (1,829)         | (123)                | 30                        | (92)                  |
| (64)            | Total Contribution to/(from) Reserves  | 123             | (1,724)          | (1,601)         | -               | (1,829)          | (1,829)         | (123)                | (105)                     | (228)                 |
| <b>(882)</b>    | <b>Net Gap/(Surplus)</b>               | <b>(787)</b>    | <b>-</b>         | <b>(787)</b>    | <b>1,075</b>    | <b>-</b>         | <b>1,075</b>    | <b>1,862</b>         | <b>-</b>                  | <b>1,862</b>          |

### Funding

60% of the Authority's funding is from the Council Tax collections across the districts in Essex, and the unitary authorities of Southend-on-Sea and Thurrock. There was a decision by the Commissioner not to increase the Council Tax precept in the year, which remained at £73.98 for a band D council tax property. The balance of funding is provided by central government, through a share of non-domestic rates, revenue support grant and other specific grants (which include Pensions, Business Rates Relief and support the Authority's Urban Search and Rescue unit).

In the year, Core Funding was £1.25m higher than planned as a result of receiving an additional government grant (£0.8m Local Council Tax Support Scheme) and an unanticipated funding gain of £0.38m on non-domestic rates, (the Authority's share of additional business rates collection from a pooling agreement with Essex County Council and local district councils in Essex).

### Expenditure

Core Employment Costs for 2021/22 were £59.31m which is an overspend of £1.43m compared to Core Budget. The key reasons are:

- £0.95m resulting from unbudgeted pay awards that were made in year
- £0.5m unbudgeted additional shift work

Core Total Other Costs (Non-Pay) for 2021/22 are £22.53m, which is £1.1m lower than the Core Budget for the year. The key underspend in the year is in Financing Items which relates to the revenue provision for capital financing (MRP) which was £0.98m under budget. This is primarily as a result of the underspend in the Capital Programme.

### Earmarked Reserve Expenditure

£1.7m was spent from Earmarked Reserves in the year, which was £0.1m lower than budget. There was an overspend in Employment costs (£0.728m) and Other Costs (£0.453m) which was offset by an underspend in the Investment in Productivity Improvement of £1.15m.

The table below reflects the movements and reclassifications between the Management accounts and the final Statutory Provision of Fire Service per the Comprehensive Income and Expenditure Statement (page 48). The adjustments impact several different Reserve Accounts the table has been laid out to show the movement impact for each different Reserve. A reconciliation between the two figures is given below:

| 2020/21 Reconciliation to the Provision of Fire Services per the<br>£000 Comprehensive Income & Expenditure Statement         | 2021/22<br>£000 |
|---|-----------------|
| Total Net Expenditure per Service Revenue Account as<br><b>80,678</b> above   | <b>81,871</b>   |
| <b>Add adjustments not reported to management:</b>  |                 |
| 5,046 Depreciation  | 4,307           |
| (5,041) Specific grant income   | (5,211)         |
| (352) Impairment  | (700)           |
| (2,932) IAS19 pension adjustment  | (2,119)         |
| 211 Capital grant   | -               |
| - Holiday pay accrual   | 441             |
| <b>(3,068) Total</b>  | <b>(3,282)</b>  |
| <b>Less amounts not part of the Provision of Fire<br/>Services in the Comprehensive Income and<br/>Expenditure Statement:</b> |                 |
| (1,173) Interest payments   | (1,173)         |
| 16 Interest and investment income   | 34              |
| (4,318) Capital financing provision   | (3,950)         |
| <b>(5,475) Total</b>  | <b>(5,089)</b>  |
| <b>Provision of Fire Services per Comprehensive Income<br/>and Expenditure Statement</b>                                      | <b>73,500</b>   |

The following accounting adjustments are made to the Total Net Expenditure per Service Revenue Account on the previous page, in accordance with the CIPFA/LASAAC Code:

| Adjustment  | Description   |
|---|---|
| IAS 19 Pensions   | The pension liabilities of the Service are revalued annually in accordance with IAS 19. These adjustments are not reported in the Service Revenue Account, as they do not arise from 'business as usual' activity.  |
| Interest Income and Expenditure                           | Interest Income and Expenditure is reported separately to the Provision of Fire Services in the Comprehensive Income and Expenditure Statement.   |
| Depreciation, Capital Financing Provision, and Impairment | Depreciation is charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 16.<br><br>This is different to the Capital Financing Provision charged to the reported to management, which represents amounts set aside for the repayment of borrowing.<br><br>Impairments are not reported in the Service Revenue Account as they do not arise from 'business as usual' activity. |
| Specific Grant Income                                     | Specific grant income is shown within the Provision of Fire Services in the Comprehensive Income and Expenditure Statement.<br><br>This is reported as Funding in the Service Revenue Account, so not included in Net Expenditure.  |
| Other Adjustments   | These are other statutory adjustments not reported to management.   |

## 5 Capital

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

|                                 | Budget<br>Capital<br>Expenditure<br>£000 | Actual<br>Capital<br>Expenditure<br>£000 | Variance<br>overspent /<br>(underspent)<br>£000 |
|---------------------------------|--|--|---|
| <b>2021/22</b>                  |  |  |   |
| Property                        | 4,507                                    | 1,017                                    | (3,490)   |
| Vehicles                        | 3,308                                    | 1,860                                    | (1,448)   |
| Information Systems & Equipment | 815                                      | 255                                      | (560)   |
| <b>Total capital payments</b>   | <b>8,630</b>                             | <b>3,132</b>                             | <b>(5,498)</b>                                  |
| Internal Resources              | 8,630                                    | 3,132                                    | (5,498)   |
| <b>Total capital funding</b>    | <b>8,630</b>                             | <b>3,132</b>                             | <b>(5,498)</b>                                  |

In the year, the Authority invested £1.16m in our property portfolio mainly on fire stations and training facilities. The planned capital programme included £0.9m for the redevelopment of Shoeburyness Fire Station and £1.7m for the refurbishment and modernisation of Breathing Apparatus training facilities fire stations in the County. The procurements have been completed in year and it is expected that the projects will be delivered in 2022/23.

The budget included £2.3m for the delivery of 10 new Fire Appliances in the year. Supply chain issues resulting from the current economic situation has resulted in significant delays in the delivery of the appliances. £1.4m of expenditure was incurred in the year, and the remaining spend will be incurred in 2022/23 where all 10 new Fire Appliances will be delivered and brought into use.

There was spend of £0.3m on ICT and operational equipment. The budget included investment in the new Control system. The procurement has been completed in the year and the capital spend on this project will be incurred in 2022/23.

In the year the Authority's generated capital receipts from the sale of surplus assets of £3.53m.

As part of the On Call Conversion Programme, the Authority is selling any surplus day crew houses. In the year the Authority generated capital receipts of £3.34m relating to the sale of day crew housing. The proceeds which will be invested in the future capital programme, in line with the Authority's Capital Strategy.

## 6 Events after the Balance Sheet date

There are no events to report.

## 7 Borrowing

The Authority undertakes long term borrowing, for periods in excess of one year, in order to finance its capital spending. The Authority has total loans at year end of **£24.5m** (£23.5m long 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 **£40.0m** for external debt in the year.

## 8 EFA (Trading) Limited

The trading activities of the Authority were undertaken by a wholly owned subsidiary company EFA (Trading) Limited, which ceased trading on 30<sup>th</sup> December 2020. The company was liquidated in 2021/22 and the final distribution included repayment of the original share capital to the Authority.

## 9 Risk Protection

The Authority is one of the eleven fire authorities that are members of the Fire and Rescue Indemnity Company Ltd (FRIC). All services have been working together to reduce risk and share best practice.

The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority makes an annual contribution to the company, the total expense in 2021/22 being **£608k** (£559k 2020/21).

## 10 Accounting policies

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

The accounting policies adopted by the Authority comply with the Code of Practice on Local Authority Accounting United Kingdom 2021/22.

## 11 Financial Climate and impact on Services

On 16 December 2021, the Government announced a single year provisional local government finance settlement agreement for 2022-23. Included in this announcement was the creation of a one off non ringfenced Services Grant of £1.1m. The grant will compensate the Authority for the 1.25% increase in Employers National Insurance costs that came into effect from 1<sup>st</sup> April 2022 and will support other one-off key investments in the Service. The Local Government Finance Settlement was finalised on 7 February 2022.

Since the start of the new financial year, the economic situation is creating a more unstable environment, which is resulting in pressures on the cost of living. A core part of the problem is the increasing rate of inflation.

The latest quarterly Bank of England Monetary Policy Report was published on 5<sup>th</sup> May 2022. The key points from the report are shown below:

- The UK inflation target remains at 2%.
- The UK rate of inflation is 7%. This is being driven by the increase in energy prices and the increase in the prices of goods purchased from abroad.
- The rate of inflation is expected to rise to around 10% this year.
- It is expected inflation to fall next year and to be close to the target set of 2% in around 2 years' time.
- The interest rate has been increased into order help inflation return to the 2% target.

These inflationary pressures are likely to impact on the Authority.

In addition to inflationary pressures mentioned above, the wider impact of Covid on manufacturing across the world and the war in Ukraine are both starting to have an effect on Supply deliveries delaying projects with possible impacts on costs and timing of delivery.

## 12 Budget 2022-23 and Medium Term Financial Strategy

The Authority adopts a prudent approach to budgeting and seeks to set a budget that is both affordable and sustainable over the medium term. In the past this caution has generated a budget with a deficit. In 2022/23, The Authority presented a balanced budget for the first time in over 7 years. The 2022/23 budget was approved on 3rd February 2022 by the Essex Police, Fire and Crime Panel. The budget excluded the use of any General Reserves. It also included £1.6m of savings within the Core Budget for 2022/23.

The Council Tax Precept was increased by 1.95%. The precept payable for a Band D Council tax property increased from £73.89 to £75.33, a change of £1.44 per year.

The Core Budget for 2022/23 was £82.1m, which was an increase of £1.8m from the prior year. The main reason for the budget increase was due to pay pressure. Pay costs for 2022/23 have been budgeted at 2%. The budget also included the impact of the unbudgeted pay award from 2021/22.



In addition to the 2022/23 Core Budget, there is £1.9m of One Off Spend that is to be funded from Earmarked Reserves. This includes investment of £1.1m in innovation and transformation, £0.3m in Learning and Development and £0.2m in Operational Training.

Our medium term financial strategy (MTFS) reflects the impact of spend over the next 4 years. It ensures that we work as a value for money organisation, and that we demonstrate our efficiency and effectiveness. Our approach to budgeting is sustainable and ensures that we meet the needs of our communities across Essex.

Our latest MTFS covers the period from 2022/23 to 2024/25 and shows a balanced position. The plan is reviewed quarterly, and sensitivity analysis has been developed to identify the impact of inflationary and cost pressures due to the External Economics mentioned above.

The MTFS does consider that further investments may be needed from 2023/24 in On Call Training and Support and Fire Protection. If these investments were to proceed, then further savings would need to be identified in order to fund these.

The budget for 2022/23 is available at: [pdf\\_1652878133.pdf](pdf_1652878133.pdf) ([essex-fire.gov.uk](http://essex-fire.gov.uk))

### 13 Risks and uncertainties

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

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

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

### 14 Environmental matters

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

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

### 15 Employees

As at 31 March 2022 the Authority employs 1,525 people comprising 635 wholetime, 525 on call firefighters, 40 control staff and 325 support staff. We aim to ensure that our employment policies reflect best practice.

## 16 Key performance indicators

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

## 17 Reporting cycle

Budget review papers comparing actual spend against budget for both capital and revenue expenditure are prepared on a monthly basis for both management and 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/>

## 18 Governance

The Authority is required to undertake an annual review of its governance processes and to publish a Statement setting out the results of the review. The Statement, which is available on the Authority's website, shows how the Authority demonstrates good governance in its actions and how it meets the requirements of the National Framework for Fire and Rescue Services.

## 19 Significant interests held by members and senior officers

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

## 20 Glossary

A glossary of accounting terms is provided on pages **92** to assist the reader.

## 21 Further information

Further information about the Authority's accounts is available from the Chief Finance Officer (S151) to the Fire Authority, Essex Fire Headquarters, Kelvedon Park, CM8 3HB (by telephone (01376) 576000 or by E-mail [neil.cross@essex-fire.gov.uk](mailto:neil.cross@essex-fire.gov.uk)).



Neil Cross


Chief Finance Officer (S151) to Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

## Statement of Responsibilities for the Statement of Accounts

The Police, Fire and Crime Commissioner is required to:

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

I certify that these accounts were considered and approved on 30 November 2022.



Roger Hirst  
Police Fire and Crime Commissioner

### 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.

### 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 2022 and its income and expenditure for the year ended 31 March 2022.



Neil Cross  
Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue  
Authority  
30 November 2022

## Governance Statement

### Foreword from the Police, Fire and Crime Commissioner



The Policing and Crime Act 2017 enabled Police and Crime Commissioners to become responsible for the governance of fire and rescue services, subject to the approval of a business case by the Home Secretary. Following the successful submission of a business case to the Home Secretary, the Police and Crime Commissioner for Essex, Roger Hirst, became the first Police, Fire and Crime Commissioner (PFCC) on 1 October 2017. Roger Hirst was re-elected in May 2021. Under these governance arrangements, a new corporation sole, the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCC FRA) replaced the Essex Fire Authority.

The Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (“the Commissioner” or “the Authority”) is responsible for ensuring that their business is conducted in accordance with the law and proper standards of conduct, probity and professional competence, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Commissioner also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. In discharging these overall responsibilities, the Commissioner is responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions which includes arrangements for the management of risk.

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

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

## Executive Summary

- The governance framework comprises the systems, processes, culture, and values relating to the control and management of all activities and how the Commissioner accounts to, engages with and leads the community.
- The Authority is required to comply with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework, including by conducting an annual review of the effectiveness of the Authority's governance arrangements.
- The review of internal controls by RSM UK LLP resulted in an overall positive opinion.
- The Authority has a commitment to addressing the governance issues identified to ensure governance is effective and efficient.

## Purpose And Context

### Purpose and Scope

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

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

The functions and responsibilities of fire and rescue authorities are set out in the Fire and Rescue Services Act 2004 which came into effect on 1 October 2004. Under this Act, every fire and rescue authority must make provision in its area for:

- Promoting fire safety
- Extinguishing fires
- Protecting life and property in the event of fires
- Rescuing people in the event of road traffic accidents
- Protecting people from serious harm to the extent that it considers it reasonable to do so, in the event of road traffic accidents

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

### **The Fire and Rescue Plan**

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

'For me, safe and secure communities are the bedrock on which we build well-being and prosperity for all. This requires all emergency services to work well together, to be efficient and effective in the services they provide, to prevent incidents wherever possible and to be closely embedded in the communities they serve. The Fire and Rescue Service has a special mission in this, to make Essex a safe place to live, work and travel.

We need a plan for a Fire and Rescue Service in Essex which ensures we can help people to stay safe, reduces the number who are killed or seriously injured and minimises the damage to property and businesses. I have developed this plan with input from all 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.'

During 2021/22, the Fire and Rescue Plan has been subject to a mid-point review, to ensure that its vision, priorities and objectives remain relevant and fit for purpose three years on. The conclusion of this review was that this is indeed the case.

### **Service-Level Governance**

The governance structure within the service is the responsibility of the Chief Fire Officer / Chief Executive. This is discharged through the Service Leadership Team (SLT) and a series of governance boards including the Continuous Improvement Board, which provides oversight and management of continual improvement identified within our Annual Plan, the Portfolio Board, which initiates and oversees change programmes, and the Asset Board, which provides oversight and management of capital spend against budget. Each of these boards is chaired by a member of SLT and attended by a representative of the Police, Fire and Crime Commissioner.

### **Corporate Governance Structure**

To ensure the effective administration of the Authority, several boards have been created to provide advice and recommendations to the Commissioner. Service performance is reported to the Police, Fire and Crime Commissioner through the monthly Performance and Resources Board. Policy and direction for the service is established through the quarterly Fire and Rescue Strategic Board. Both the Performance and Resources Board and the Fire and Rescue Strategic Board are chaired by the Police, Fire and Crime Commissioner. In addition, an Independent Audit Committee is in place with the scope to provide independent assurance to the Authority in accordance with the Financial Management Code of Practice. The role of the Audit Committee is to advise the Commissioner according to good governance principles and risk management arrangements in accordance with proper practices and to oversee the associated control environment and financial reporting process.

These boards have no decision-making powers. A decision made by the Commissioner is only considered to be taken, and as such may only be acted on by officers, once the relevant decision report has been signed by the Commissioner or their Deputy. All decisions taken (unless subject to security restrictions) will be published for transparency on the Commissioner's website.

The decisions and actions of the Commissioner are scrutinised by the Essex Police, Fire and Crime Panel which is made up of elected representatives from each district, borough, city and unitary authority in Essex plus two independent members.

The Panel has several statutory powers and duties, including the power to veto the proposed Council Tax precept and candidate for the post of Chief Fire Officer / Chief Executive; to review the Fire and Rescue Plan and the Annual Statement of Assurance and to make recommendations to which the Commissioner must have regard; to consider complaints against the Commissioner and Deputy Commissioner, and to scrutinise (but not veto) the appointments of the Deputy Commissioner and Chief Finance Officer. Panel meetings take place at least four times a year and are open to the public.

The corporate governance structure surrounding the Essex Police, Crime and Fire and Commissioner is depicted below. The detail regarding each governance board is outlined in Appendix 1:



## Governance Framework

The CIPFA / SOLACE Delivering Good Governance in Local Government Framework recommends the following principals of good governance:

- **Principle A** - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **Principle B** - Ensuring openness and comprehensive stakeholder engagement.
- **Principle C** - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **Principle D** - Determining the interventions necessary to optimise the achievement of the intended outcomes.
- **Principle E** - Developing the Authority's capacity, including the capability of its leadership and the individuals within it.
- **Principle F** - Managing risks and performance through robust internal control and strong public financial management.
- **Principle G** - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

**Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved.

The arrangements in place that demonstrate this principle are:

- **Codes of Conduct** for the Commissioner and their Deputy and for all staff, including anti-fraud and whistleblowing policies.
- [PFCC Ethics and Integrity Framework](#) – Ethics and integrity are at the centre of the role of the Police, Fire and Crime Commissioner.
- [NFCC Code of Ethics](#) – This Core Code of Ethics is designed to guide all fire and rescue service employees in their day-to-day conduct. The Authority launched a Code of Ethics in 2021/22 alongside a gap analysis and action plan to strengthen its commitment to these values.
- Our [Constitution](#) sets out the framework to ensure that all officers and staff can fulfil their responsibilities in accordance with legislative requirements.
- [Our Values](#) are at the core of everything we do.
- Staff **Appraisal process** – Ensures continuous staff development.
- The Commissioner, their Deputy and the Service Leadership Team complete a **register of interests** to declare any potential conflicts of interest.
- [Equality, Diversity & Inclusion](#) objectives are published on the Authority's website, including gender pay gap reporting. Progress in delivering the equality objectives, along with a self-assessment of the service's performance against established equality frameworks for fire and rescue authorities, is reported to the Commissioner's Strategic Board twice yearly.
- **Decision-making** is guided by the values agreed by the Authority, and this is overseen by the Commissioner and the Monitoring Officer via the decision report process.



## Core Principle B – Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good. Organisations should therefore ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders.

The processes in place that demonstrate this principle are:

- The [Annual Report](#) is used to communicate the overall strategy and performance of the Authority to the public.
- The Authority participates in the [Freedom of Information](#) Act Publication Scheme to ensure transparency with the public.
- [Authority website](#) – Meeting minutes of the Authority and its governance boards are accessible to the public alongside agendas and committee papers.
- **Press and Media Guidance** is published on a regular basis to ensure we engage with our stakeholders.
- The Authority has numerous **governance boards** in place to ensure decision making is conducted effectively and transparently (appendix 1).
- There is a good history of **public consultation** over significant issues affecting the community and external stakeholders. Any proposals for significant change to service delivery affecting the public will be supported by a consultation process.
- The Authority **engages its staff** through regular manager briefings as well as initiatives such as the CFO's "Ask Me Anything" sessions.

Consultation with the public, partners, and other key stakeholders all feed into the strategic planning cycle to ensure that their views continue to influence the delivery of the Commissioner's priorities.

The PFCC completed their annual public survey on the precept for the following year between 3 November and 21 December 2021. 1,531 people responded to the questions relating to the fire and rescue service. Of those respondents, 67% were prepared to pay more so that the service can continue to fund inflationary pressures and to invest in fire protection, operational training, and on-call recruitment. This informed the Commissioner's proposal (approved by the Police, Fire and Crime Panel) to increase the precept by 1.95% for 2022/23.

Since taking office the Commissioner has held public meetings at least once a year in each of the 14 districts and unitary areas, where the people of Essex are able to challenge the Commissioner on how he is holding the Chief Fire Officer / Chief Executive to account for the delivery of fire and rescue services. The COVID-19 pandemic has meant that this engagement has continued to be hosted online during 2021/22, with the result that it has continued to reach a much larger and more diverse audience than traditional methods. Post-pandemic, the Commissioner's approach to public engagement is therefore likely to include a combination of face to face and online events. Notes of each of the meetings are made available on the Commissioner's website, along with issues raised at each of these events and any subsequent outcomes. The Commissioner also meets regularly with local Councillors and MPs to afford other elected representatives the opportunity to raise any concerns or offer any suggestions in relation to fire and rescue services in Essex.

**Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.

- The [Fire and Rescue Plan 2019-24](#) sets out the Authority’s vision and priorities, including measurable outcomes in the form of performance measures and indicators.
- The [Integrated Risk Management Plan](#) sets out the activities that the service needs to undertake to deliver against the priorities within the Fire and Rescue Plan to ensure the continued safety of communities following a comprehensive understanding of risk.
- The [Performance and Resources Board](#) receives regular and structured performance reports against all aspects of the service’s priorities. The risks of not achieving the Authority’s priorities are identified and managed through strategic leaders and reported via the [Independent Audit Committee](#), where regular structured reports are considered and supported by the risk management systems.
- The **Capital Programme** aligns to the Integrated Risk Management Plan. In support of longer-term planning there are number of associated plans in place (e.g., property, ICT, fleet). A revised property strategy for land and buildings has been developed.
- We have also developed a new [Environmental Strategy](#), in partnership with Essex Police to support sustainability.

| PRIORITY   | AIM   | MEASURES  |
|--|---|---|
| <b>Develop and broaden the roles and range of activities undertaken by the Service</b> | This will ensure first class delivery of our core functions, deliver increased value for money to Essex residents and tax payers and exemplify joint working that responds to local and national risks effectively and efficiently. | <ul style="list-style-type: none"> <li>• Broader range of prevention, protection and response activity undertaken by operational staff</li> </ul>               |
| <b>Be transparent, open and accessible</b>   | The public hold the Essex County Fire and Rescue Service to account for the services it provides.   | <ul style="list-style-type: none"> <li>• Partner satisfaction with engagement</li> <li>• Public trust and confidence increased</li> </ul>                       |
| <b>Collaborate with our partners</b>   | The public will benefit from a better, more efficient and effective service.  | <ul style="list-style-type: none"> <li>• Progress made against the PFCC Joint Governance Local Business Case for Police and Fire and Rescue in Essex</li> </ul> |

**Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. It needs robust decision-making mechanisms to ensure that its defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.

- The [Integrated Risk Management Plan](#) assesses fire and rescue related risk and sets out how we plan to lessen these risks to ensure we deliver the right resources at the right time, in the right place.
- The **Medium-Term Financial Strategy** is the link between the Authority's long-term objectives and its financial capacity.
- The **Capital Strategy** outlines the Authority's approach to capital investment, ensuring it is in line with its corporate objectives.
- The **Annual Plan** sets out the key activities that need to be delivered within any financial year aligned to our in-year budget. This includes responses to any recommendations deriving from audits and inspections, together with activities required to deliver core objectives and priorities.
- **Strategic and Departmental Risk Registers** are reviewed on a regular basis to ensure operational risks are monitored and to ensure control procedures are in place to mitigate risks.
- **Boards and Committees** are in place to ensure projects are delivered on time, meeting the needs of the service. Within the year, we reviewed the Innovation and Change structure, which is now governed by the newly created Portfolio Management Board.
- The Police, Fire and Crime Commissioner provides scrutiny through the [Performance and Resources board](#), which reviews the performance of the service against the priorities agreed within the Fire and Rescue Plan and Integrated Risk Management Plan.

**Principle E – Developing the Authority’s capacity, including the capability of its leadership and the individuals within it**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications, and mindset to operate efficiently and effectively and achieve their intended outcomes within the specified periods.

- Workforce succession and development needs are identified within our **workforce plan**.
- The [Leadership Resourcing & succession programme](#) ensures that colleagues have all the support they need on their career journey.
- The [People Strategy](#) is a key document to delivering the Fire and Rescue Plan. The strategy ensures the Authority attracts and develops the right level of staff to deliver its services.
- **Health and wellbeing** is a core pillar of the People Strategy, which promotes a positive working environment to reduce stress and increase engagement and performance.
- The service offers a range of [Apprenticeships](#) to improve skills and productivity, as well as bring new talent into the organisation.



**Principle F - Managing risks and performance through robust internal control and strong public financial management**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes.

- The [Audit Committee](#) provides independent assurance to the Authority that financial management internal controls are operating effectively.
- The **Chief Finance Officer** ensures the finances of the Authority are managed effectively as required by the statutory duties associated with section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015. The Chief Financial Officer is required to adhere to professional and ethical standards set by CIPFA.
- The [Integrated Risk Management Plan](#) ensures the Authority has identified and mitigates strategic risks. Risk management arrangements are integral to all aspects of the work, managed through a comprehensive strategic risk register.
- **Business Continuity Arrangements** are in place across all departments to ensure the Authority is resilient to interruptions that could adversely affect the delivery of services.
- **Performance management arrangements** are in place - The performance framework includes corporate targets and key performance indicators along with key activities to continue or strengthen performance. In addition, a 'deep dive' process is in operation, whereby the Authority undertakes detailed analysis of areas of performance and reports this to the Commissioner.
- The [Performance and Resources Board](#) scrutinises, supports and challenges the overall performance of the fire and rescue service including against the priorities agreed within the Fire and Rescue Plan and Integrated Risk Management Plan.
- The **Continuous Improvement Board** ensures continuous progress against organisational and national priorities, and that resources are being effectively and efficiently utilised.
- **Internal Audit** arrangements are in place to review the effectiveness of internal controls through annual 'key financial control' reviews.
- The internal control environment is further assessed as part of the annual **External Audit**.

**Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

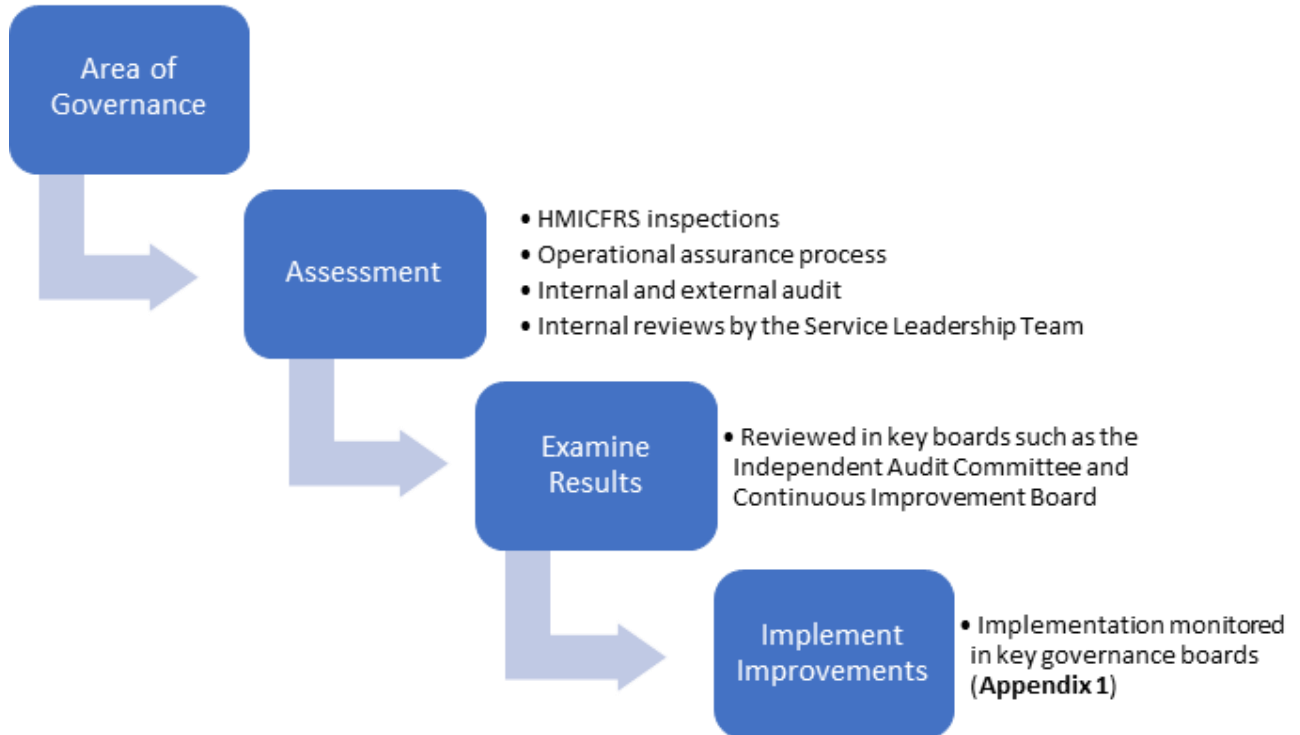
Accountability is about ensuring that those making decisions and delivering services are answerable for them.

- **Internal audit** services are provided by RSM UK and reported to the Audit Committee. Regulation 5 of the Accounts and Audit Regulations 2015 states that the Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance.
- **External audit** services are provided by Grant Thornton UK LLP. It provides an opinion on the financial statements of the Authority, as well as providing assurance that value for money has been delivered.
- Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services ([HMICFRS](#)) independently assesses the efficiency and effectiveness of the Authority. The service has been subject to a full inspection by HMICFRS during 2021/22, the outcome of which is available [here](#).
- The **PFCC** receives regular updates at the Performance and Resources Board and Strategic Board, which challenge the reporting and accountability of the service.
- A [Pay policy statement](#) is reported to the Strategic Board and published annually to ensure the Authority is transparent about the way staff are remunerated.
- [Transparency information](#) is published in accordance with the Local Government Transparency Code and the Elected Local Policing Bodies (Specified Information) Orders.

## Review Of Effectiveness

### The Assurance Process

The Authority uses the framework below to review the effectiveness of the governance framework:



### Review of Effectiveness

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

### Internal Audit

In addition, the Internal Auditor has a 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. The provision of Internal Audit Services is through a contract with RSM UK Group LLP. An overall positive opinion was given for 2021/22.

### Internal Audit Programme

The Internal Audit Programme uses a risk-based approach to provide assurance to the Authority. During the year, seven reviews were undertaken, covering the following areas:

| Audit   | Assurance Level       | Management Actions |        |      |
|---|-----------------------|--------------------|--------|------|
|   |                       | Low                | Medium | High |
| ICT Transformation  | Substantial Assurance | 3                  | 0      | 0    |
| Fleet Management Strategy   | Reasonable Assurance  | 6                  | 1      | 0    |
| Competency Management   | Substantial Assurance | 2                  | 1      | 0    |
| Key Financial Controls – Pensions                                     | Substantial Assurance | 2                  | 1      | 0    |
| Key Financial Controls – Payroll and HR                               | Reasonable Assurance  | 5                  | 0      | 0    |
| Medium-Term Financial Planning, Value for Money and Efficiency Saving | Reasonable Assurance  | 1                  | 2      | 0    |

### Levels of Assurance

The table below shows the full range of opinions available within the internal audit methodology:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | The organisation has an adequate and effective framework for risk, governance, and internal control.   |
| <b>Reasonable Assurance</b>  | The organisation has an adequate and effective framework for risk, governance, and internal control, however work indicated further enhancements are required. |
| <b>Partial Assurance</b>     | There are weaknesses in the framework of governance, risk management and control such that it could become inadequate or ineffective.                          |
| <b>Minimal Assurance</b>     | The organisation does not have an adequate framework of risk management, governance, or internal control.  |



## CIPFA Financial Management Code

Following issues over the past few years with financial management and corporate governance in some local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed its guidance and issued the 'Financial Management Code'. This mandatory code provides guidance for good and sustainable financial management in local authorities. The intention is that, by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability.

The new Financial Management Code is based on six core principles:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** as its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to **professional standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit, and inspection.
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Following an initial self-assessment of the Authority's level of compliance with the Code by the Finance Team in 2020/21, a revised assessment was carried out in 2021/22. An action plan with clear deadlines was produced alongside the review, with implementation of the recommendations to be tracked by the Strategic Board going forward.

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**Joint Statement by The Chief Fire Officer / Chief Executive and The Police, Fire And Crime Commissioner**

We acknowledge our responsibility for ensuring the proper governance of the Authority's affairs and will ensure that sufficient resources are dedicated to ensuring that key controls and processes are implemented, maintained, and monitored for effectiveness. We confirm that this Statement represents an honest and full assessment of the levels of assurance we have obtained.



Roger Hirst  
Police, Fire and Crime Commissioner

Date: 30 November 2022



Rick Hylton  
Chief Fire Officer, and Chief Executive

Date: 30 November 2022

## Other Significant Issues

### COVID-19 Pandemic

The Covid-19 pandemic continues through 2021/22. Throughout the pandemic, the Essex County Fire and Rescue Service (ECFRS) has been at the forefront supporting our people and has embedded itself within the pan-Essex response to assisting our communities in keeping them safe.

We have worked closely with partners as part of a multi-agency pandemic response, which has included our Chief Fire Officer co-chairing the Essex COVID-19 Strategic Co-ordination Group (SCG) established by the Essex Resilience Forum with the Chief Constable of Essex Police. We have been actively involved in a diverse range of activities throughout the pandemic. This has included areas such as volunteer ambulance driving to assist the East of England Ambulance Service, carrying out surge testing within communities, setting up of vaccination centres, and training our staff who have then gone on to actively vaccinate.

We have focused on keeping our communities safe, whilst working differently, in performing safe and well visits over the phone to the most vulnerable, community engagement through online videos and delivery of Lateral Flow Tests to health partners to assist with mass testing. These are just a few examples of how ECFRS has assisted with the response during the pandemic.

We have also adopted new ways of working and have always ensured that we have operated in line with Government guidelines. Early in the pandemic we ensured that our workplaces were Covid safe, through adoption of social distancing measures, issuing of personal protective equipment (PPE) to our frontline staff, adopting virtual meetings through MS Teams and Livestream videos to our staff to ensure that we maintained our connection with our people. We maintained an excellent level of business continuity arrangements across all our departments, to ensure that we were able to continue in delivering an exceptional level of service to the communities of Essex. As we move closer to the total lifting of restrictions, we are focused on the lessons learned from the pandemic and look to continue the benefits of our new ways of working. ECFRS is exploring how we can re-design our workspaces to be more effective and allow our people to connect in different ways. It is imperative to us that we adopt working differently and most importantly learn for the future and ensure we continue to be well prepared.

### Changes in the Service Leadership Team (SLT)

During 2021/22, the Chief Fire Officer / Chief Executive advised the Commissioner of her intention to retire on 31 December 2021. Following a robust and open recruitment process, the Deputy Chief Fire Officer was appointed to the role and took up the post on 1 January 2022. This in turn led to a vacancy in the role of Deputy Chief Fire Officer. Following a similarly robust and open recruitment process, the Authority's Director of Operations secured this role and took up post in March 2022.

### Significant Governance Issues

The next section outlines the significant governance issues that have been identified for consideration in 2022/23. This is followed by a review of the significant governance issues identified in 2021/22, and the position at 31 March 2022. Significant governance issues arise from operational challenges and as a result of external events such as the pandemic.

### Significant Governance Issues 2022/23

| Title  | Action   | Expected Delivery  |
|--|--|--|
| Capital Programme planning and implementation  | We will monitor the risks in delivery of our capital programme, to ensure projects are delivered by their committed deadlines. Progress will be monitored by the Portfolio Management Board and Asset Board to ensure any risks of non-delivery are identified and mitigated where possible.                             | We will meet our capital targets going forward and deliver a capital programme that meets the requirements of the service.   |
| Financial risk and uncertainty                 | Given the current cost of living pressures and the one-year local government finance settlement, the service is faced with continued financial uncertainty. We will continually monitor our financial plans and outlook to ensure we deliver the objectives of the Fire and Rescue Plan.                                 | Accurate and reliable financial planning will enable the service to adapt in changes in the environment, with more robust scenario planning.   |
| Leadership development and succession planning | We will develop our leaders so that we have strong and effective leaders now and in the future. We will ensure that we have leaders ready to fill the roles that we anticipate becoming vacant via our Strategic Workforce Plan. We will do this through our Leadership Development, Resourcing and Succession Planning. | We will develop future leaders to ensure the service is managed efficiently.   |
| Continued cultural development                 | We will maintain our focus on embedding a culture that is fair, kind, and inclusive. We will also develop this further to focus on high performance, accountability, and service delivery.   | We will promote a positive culture in the workplace and ensure that we continue to engage and work effectively with partner organisations and play a key role in Essex-wide public service leadership. |
| Operational training facilities                | We will deliver operational training facilities that ensure we can offer assurance of competence for all firefighters. We will deliver improved training facilities in some areas and will further develop plans to replace hot fire training facilities.  | We will ensure a safe workforce underpinned by excellent training.   |
| Future use of workspace                        | We will review our workspace as the service adjusts to the post-pandemic 'new normal'. This will ensure we are utilising our resources efficiently.  | We will perform a review of our workspace and implement new ways of working.   |
| Mobilising system                              | We will ensure the new mobilising system is delivered by the deadline, meets service requirements and fully mitigates the risks to the service of the current system. This will be monitored at the Digital and Data Programme board.  | The new mobilising system will be delivered in 2022/23.  |

## Significant Governance Issues 2021/22

| Title  | Action  | Expected Delivery   | Position at 31 <sup>st</sup> March 2022  |
|--|---|---|--|
| <b>Fire Protection</b>   | <p>Deliver the post Grenfell action plan and associated improvements through collaboration in High Rise and Escape Hood cross border exercises.</p> <p>Develop a Response Strategy to ensure we have the right resources available at the right time to meet our response standards.</p>  | Deliver protection and prevention initiatives in high-risk areas.   | The governance of the Grenfell action plan was implemented through the Grenfell Action Plan Board. We are developing a new performance framework to ensure the Response Strategy is delivered.   |
| <b>Further developments in the McCloud/ Sargeant (firefighter pensions) litigation</b> | <p>In light of the further developments that have occurred in this matter during 2019/20 (including publication of Home Office guidance in August 2020 and the Government's response to its consultation in February 2021, along with the handing down of the Employment Appeal Tribunal judgement in February 2021, which ruled that s61 of the Equality Act 2010 automatically incorporates a non-discrimination rule into the pension scheme), the Commissioner has decided that current members of staff who qualify and wish to retire be permitted to do so on their legacy scheme (if this is their choice) with effect from March 2021 for the duration of "the remedy period".</p> <p>The position in respect of each of these retirees (as well as those who retired earlier in "the remedy period") will need to be reviewed on the publication of further guidance / legislation (anticipated in 2023).</p> | The Commissioner's decision ends, at the earliest opportunity, the discrimination found by the Court of Appeal.   | <p>The service has continued to pay immediate detriment cases for individuals retiring during the year.</p> <p>The next phase of the remedy will be to pay cases of individuals that previously retired. We are waiting for further government guidance to enable a decision to be made on the payment of these cases.</p>                         |
| <b>Government's PCC Review</b>   | <p>Respond to the Home Office's consultative White Paper on fire reform (expected later in 2021).</p> <p>Engage as appropriate in Part 2 of the Review, including through the PFCC continuing to form part of the Home Office's Advisory Group (if returned).</p>   | The PFCC and the service will influence Government thinking, and therefore future national policy, relating to the professionalism, people and governance of fire and rescue services (including proposed mandating of the PFCC / Mayoral model; operational independence of Chief Fire Officers, and | On 2 February 2022, the Government published its White Paper <i>Levelling Up the United Kingdom</i> . The PFCC, the Chief Fire Officer / Chief Executive and the Monitoring Officer are engaging through the Essex Leaders and Chief Executives group in discussions regarding what this might mean for Essex and for the fire and rescue service. |

| Title                                      | Action  | Expected Delivery  | Position at 31 <sup>st</sup> March 2022  |
|--|---|--|--|
|  |   | clarification of the legal entities within the PFCC model).  | On 7 March 2022, the Home Secretary set out the recommendations of Part 2 of the PCC Review. Within this, the Government has (amongst other things) committed to carrying out an in-depth review of Community Safety Partnerships in England and Wales and has pledged to explore whether a regional model of support for Police (Fire and) Crime Panels could improve the professionalism, quality and consistency of the support provided to them. The Home Office has also made a commitment to consider further the scope to align a new code of conduct for Commissioners with the regime for mayors and councillors in local government. |
| <b>On-call availability</b>                | Continue to work towards the On-Call Development programme.<br><br>Streamline on-boarding procedures and reduce the number of temporary positions to improve recruitment and retention of new firefighters. | On-call availability is improved through conversion of existing stations and retention of staff.                         | We have delivered the on-call conversion of stations such as Great Baddow and Waltham Abbey. The conversion at South Woodham Ferrers will take place in the new financial year.  |
| <b>Recovery from the COVID-19 pandemic</b> | Continue to implement the actions identified for 2020/21.   | Allow employees to return to the workplace safely.<br><br>Support the rollout of the vaccination programme into 2021/22. | The service has continued to operate within government guidance to allow a safe return to the workplace.<br><br>We have continued to support the community by assisting the vaccination programme.   |
| <b>IT infrastructure</b>                   | Monitor the progress and delivery of the Digital and Data Strategy to ensure benefits are realised.   | A more robust, comprehensive, and efficient IT infrastructure.   | The Digital and Data Strategy has progressed throughout 2021/22, with key milestones planned for 2022/23, such as the delivery of key infrastructure and network improvements.   |

| Title   | Action  | Expected Delivery   | Position at 31 <sup>st</sup> March 2022  |
|---|---|---|--|
| <b>Culture change</b>                                       | We will deliver the continued development of our culture. The detail of this is set out in our Continued Cultural Development Plan. In 2021/22, we will deliver year 1-2 of the plan.   | We will promote a fair, kind, and inclusive workplace.  | We have delivered the Continued Cultural Development Plan. We continue to promote a fair, kind, and inclusive workplace. Ongoing action regarding culture change is reflected in our People Strategy action plan.  |
| <b>Leadership training</b>                                  | We will develop our leaders so that we have strong and effective leaders now and in the future. The detail of this is in our People Strategy Action Plan and includes the commissioning of a four-year leadership development programme, training, and succession planning.                 | We will strengthen our leadership to ensure the service is managed efficiently.               | Year 1 of the leadership development programme offered 125 places and is complete. We are now in year 2. Our Leadership, Resourcing and Succession planning currently includes c.140 people.   |
| <b>Operational training</b>                                 | <p>We will deliver operational training that ensures we can offer assurance of competence for all firefighters. The detail of this is in our People Strategy Action Plan.</p> <p>Go live with the new Competency Management System procured during 2020/21 with effect from April 2021.</p> | Operational training is delivered and recorded efficiently and effectively.                   | The new Competency Management System procured during 2020/21 became 'live'. The system was part of the service being able to offer substantial assurance regarding competency management audit in a year.  |
| <b>Long term financial sustainability and affordability</b> | <p>Ensure the service's long-term sustainability and affordability in light of funding pressures.</p> <p>Encourage and monitor value for money by updating the Medium-Term Financial Strategy.</p>  | The Service's budget is balanced by 2022/23 and addresses the forecast budget gap in 2023/24. | <p>The budget was approved for 2022/23 in February 2022. With the savings identified, the budget has been balanced with no use of general reserves.</p> <p>We continue to update the Medium Term Financial Strategy quarterly through the Strategic Board.</p> |

## Appendix 1 – Key Governance Boards

| Governance Board  | Areas of Governance   |
|---|---|
| <b>The Police, Fire and Crime Panel</b><br><br>Papers available <a href="#">here</a>                | <ul style="list-style-type: none"> <li>a) Scrutiny of the Fire and Rescue Plan and Fire and Rescue Statement.</li> <li>b) Scrutiny of the appointment of a Deputy PFCC, the PFCC's Chief Executive and the PFCC's Section 151 Officer.</li> <li>c) Scrutiny of the appointment of the PFCC FRA's Chief Financial Officer.</li> <li>d) Scrutiny of the appointment and dismissal of the Chief Fire Officer, with the power to veto the appointment.</li> <li>e) To review the precept which the PFCC is proposing to issue for each financial year, with the power to veto the precept.</li> <li>f) To deal with certain complaints against the PFCC or Deputy PFCC.</li> </ul>  |
| <b>Fire and Rescue Strategic Board</b><br><br>Papers available <a href="#">here</a>                 | <ul style="list-style-type: none"> <li>a) Provide oversight of the delivery of the Fire and Rescue Plan and Integrated Risk Management Plan.</li> <li>b) Support public sector collaboration across greater Essex.</li> <li>c) Provide strategic oversight of the Medium-Term Financial Plan, Reserves Strategy and Capital Programme.</li> <li>d) Recommend for approval the Annual Budget and Council Tax precept.</li> <li>e) Agree the annual Statement of Assurance to be recommended to the Police, Fire and Crime Panel.</li> </ul>  |
| <b>Audit Committee</b><br><br>Papers available <a href="#">here</a>                                 | <ul style="list-style-type: none"> <li>a) Maintain an overview of the contract procedure rules, financial regulations and Code of Conduct.</li> <li>b) Advise the Commissioner according to good governance principles.</li> <li>c) Provide independent assurance to the Commissioner of compliance with the Financial Management Code of Practice.</li> <li>d) Oversee the internal and external audit arrangements of the Authority, including the delivery of audit recommendations.</li> </ul>  |
| <b>Fire and Rescue Performance and Resources Board</b><br><br>Papers available <a href="#">here</a> | <ul style="list-style-type: none"> <li>a) Scrutinise, support and challenge the overall performance of the service including against the priorities agreed within the Fire and Rescue Plan and Integrated Risk Management Plan.</li> <li>b) Support the Commissioner in holding the Chief Fire Officer / Chief Executive to account</li> <li>c) Advise the Commissioner on actions to be taken to maintain an efficient, effective, and economic fire and rescue service for Essex.</li> <li>d) Identify and consider different themes / "deep dives" for scrutiny, challenge, and support.</li> <li>e) Provide governance and oversight of the delivery of the Medium Term Financial Strategy.</li> <li>f) Oversee implementation of the service's Treasury Management Strategy.</li> <li>g) Monitor actual and forecast capital expenditure and resourcing against the approved capital programme.</li> </ul> |
| <b>Essex Emergency Service Collaboration Strategic Board</b>  | <ul style="list-style-type: none"> <li>a) Provide oversight of the Emergency Service Collaboration Programme and related risks.</li> <li>b) Maximise the effectiveness and efficiency of emergency services within Essex through a programme of strategic and operational collaboration.</li> <li>c) Review business cases relating to emergency service collaboration and provide recommendations to the Commissioner.</li> </ul>  |



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**Independent Auditor's Report to Essex Police, Fire And Crime  
Commissioner Fire and Rescue Authority**

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# Essex County Fire & Rescue Service Accounting Statements



## Comprehensive Income and Expenditure Statement

For the year ended 31 March 2022

| 2020/21<br>Net<br>£000 |   | Notes | 2021/22<br>Net<br>£000 |
|------------------------|---|-------|------------------------|
|                        | <b>Expenditure</b>  |       |                        |
| 31,847                 | Firefighters  |       | 32,491                 |
| 7,064                  | On call firefighters  |       | 7,561                  |
| 1,616                  | Control staff   |       | 1,576                  |
| 17,846                 | Support staff   |       | 19,138                 |
| <b>58,373</b>          | <b>Total Employment Costs</b>                               |       | <b>60,766</b>          |
| 2,137                  | Support costs   |       | 2,356                  |
| 10,435                 | Premises & Equipment  |       | 10,349                 |
| 2,869                  | Other costs & services                                      |       | 3,144                  |
| 4,694                  | Depreciation, impairment & other costs                      |       | 3,607                  |
| 91                     | Financing items   |       | 106                    |
| <b>20,226</b>          | <b>Total Other Costs</b>                                    |       | <b>19,562</b>          |
| <b>78,599</b>          | <b>Gross Expenditure</b>                                    |       | <b>80,328</b>          |
|                        | <b>Income</b>   |       |                        |
| (5,041)                | Specific grant income                                       | 22    | (5,211)                |
| (1,423)                | Other income  | 22    | (1,617)                |
| <b>72,135</b>          | <b>Provision of Fire Services</b>                           |       | <b>73,500</b>          |
| (103)                  | (Gain) or loss on Disposal of Fixed Assets                  |       | (262)                  |
| 41                     | Pension administration costs                                | 27    | 35                     |
|                        | <b>Financing and Investment Income and Expenditure</b>      |       |                        |
| 1,173                  | Interest payable on debt                                    |       | 1,173                  |
| 17,269                 | Net interest on the net defined benefit liability (asset)   | 27    | 18,238                 |
| (16)                   | Investment interest income                                  |       | (7)                    |
| -                      | Disposal of investments                                     |       | (28)                   |
|                        | <b>Taxation and Non-Specific Grant Income</b>               |       |                        |
| (8,473)                | Revenue Support Grant                                       |       | (8,511)                |
| (13,701)               | Non Domestic Rates  |       | (16,388)               |
| (47,852)               | Council Tax   |       | (48,528)               |
| (5,811)                | Non Specific Grant Income                                   | 22    | (3,648)                |
| (211)                  | Capital Grant   |       | -                      |
| <b>14,451</b>          | <b>(Surplus) or Deficit on Provision of Services</b>        |       | <b>15,574</b>          |
| (3,052)                | (Surplus) or deficit on revaluation of non current assets   | 18    | (5,491)                |
| 169,517                | Remeasurements of the net defined benefit liability (asset) | 18    | (38,385)               |
| <b>166,465</b>         | <b>Other Comprehensive Income and Expenditure</b>           |       | <b>(43,876)</b>        |
| <b>180,916</b>         | <b>Total Comprehensive Income and Expenditure</b>           |       | <b>(28,302)</b>        |

### Collection Fund Deficit

Included within Non-Domestic Rates for the current and previous year is a collection fund deficit arising from reductions in business rate collections. The impact on the current year is a reduction in income of £513k (2021 - £3,218k). A section 31 grant has been recognised within Non-Specific Grant Income of £1,087k (2021 - £3,020k) to compensate for the deficit.



## Movement in Reserves Statement

|  | General<br>Fund<br>Balance | Earmarked<br>General<br>Fund<br>Reserves | Capital<br>Receipts<br>Reserve | Total<br>Usable<br>Reserves | Total<br>Unusable<br>Reserves | Total Reserves<br>of the<br>Authority |
|--|----------------------------|--|--------------------------------|-----------------------------|-------------------------------|---------------------------------------|
|  | £000                       | £000                                     | £000                           | £000                        | £000                          | £000                                  |
| <b>Balance at 31 March 2021</b>  | 4,351                      | 13,481                                   | 9,669                          | 27,501                      | (823,101)                     | (795,600)                             |
| <b>Movement in reserves during the year</b>  |                            |  |                                |                             |                               |                                       |
| Surplus or (deficit) on the provision of services  | (15,574)                   | -  | -                              | (15,574)                    | -                             | (15,574)                              |
| Other Comprehensive Income and Expenditure   | -                          | -  | -                              | -                           | 43,876                        | 43,876                                |
| <b>Total Comprehensive Income &amp; Expenditure</b>  | <b>(15,574)</b>            | <b>-</b>                                 | <b>-</b>                       | <b>(15,574)</b>             | <b>43,876</b>                 | <b>28,302</b>                         |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7) | 13,118                     | -  | 3,484                          | 16,601                      | (16,601)                      | 0                                     |
| Transfers to or (from) earmarked reserves  | 2,446                      | (2,446)                                  | -                              | -                           | -                             | -                                     |
| <b>Increase (Decrease) in Year</b>   | <b>(10)</b>                | <b>(2,446)</b>                           | <b>3,484</b>                   | <b>1,027</b>                | <b>27,275</b>                 | <b>28,302</b>                         |
| <b>Balance at 31 March 2022</b>  | <b>4,341</b>               | <b>11,035</b>                            | <b>13,153</b>                  | <b>28,528</b>               | <b>(795,826)</b>              | <b>(767,298)</b>                      |

|  | General<br>Fund<br>Balance | Earmarked<br>General<br>Fund<br>Reserves | Capital<br>Receipts<br>Reserve | Total<br>Usable<br>Reserves | Total<br>Unusable<br>Reserves | Total<br>Reserves of<br>the Authority |
|--|----------------------------|--|--------------------------------|-----------------------------|-------------------------------|---------------------------------------|
|  | £000                       | £000                                     | £000                           | £000                        | £000                          | £000                                  |
| <b>Balance at 31 March 2020</b>  | 3,439                      | 10,526                                   | 8,477                          | 22,442                      | (637,127)                     | (614,685)                             |
| <b>Movement in reserves during the year</b>  |                            |  |                                |                             |                               |                                       |
| Surplus or (deficit) on the provision of services  | (14,451)                   | -  | -                              | (14,451)                    | -                             | (14,451)                              |
| Other Comprehensive Income and Expenditure   | -                          | -  | -                              | -                           | (166,465)                     | (166,465)                             |
| <b>Total Comprehensive Income &amp; Expenditure</b>  | <b>(14,451)</b>            | <b>-</b>                                 | <b>-</b>                       | <b>(14,451)</b>             | <b>(166,465)</b>              | <b>(180,916)</b>                      |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7) | 18,318                     | -  | 1,192                          | 19,510                      | (19,510)                      | -                                     |
| Transfers to or (from) earmarked reserves  | (2,955)                    | 2,955                                    | -                              | -                           | -                             | -                                     |
| <b>Increase (Decrease) in Year</b>   | <b>912</b>                 | <b>2,955</b>                             | <b>1,192</b>                   | <b>5,059</b>                | <b>(185,975)</b>              | <b>(180,916)</b>                      |
| <b>Balance at 31 March 2021</b>  | <b>4,351</b>               | <b>13,481</b>                            | <b>9,669</b>                   | <b>27,501</b>               | <b>(823,102)</b>              | <b>(795,601)</b>                      |

## Balance Sheet

As at 31 March 2022

| 31 March 2021<br>£000 |  | Notes     | 31 March 2022<br>£000 |
|-----------------------|--|-----------|-----------------------|
|                       | <b>Property, Plant &amp; Equipment</b> | <b>9</b>  |                       |
| 125,232               | Land and Buildings                     |           | 126,527               |
| 11,404                | Vehicles, plant and equipment          |           | 10,089                |
| 751                   | Fixed assets under construction        |           | 1,985                 |
| -                     | <b>Long Term Investments</b>           |           | -                     |
| <b>137,387</b>        | <b>Long Term Assets</b>                |           | <b>138,601</b>        |
| 642                   | Inventories                            |           | 424                   |
| 94                    | Short Term Investments                 |           | -                     |
| 7,333                 | Short Term Debtors                     | <b>10</b> | 8,747                 |
| 17,598                | Cash and Cash Equivalents              | <b>11</b> | 20,473                |
| 912                   | Assets held for sale                   | <b>12</b> | 1,445                 |
| <b>26,579</b>         | <b>Current Assets</b>                  | <b>13</b> | <b>31,089</b>         |
| (250)                 | Short Term Borrowing                   |           | (1,250)               |
| (7,921)               | Short Term Creditors                   | <b>14</b> | (7,557)               |
| (1,049)               | Grants Receipts in advance             | <b>15</b> | (1,233)               |
| <b>(9,220)</b>        | <b>Current Liabilities</b>             |           | <b>(10,040)</b>       |
| (24,500)              | Long Term Borrowing                    | <b>10</b> | (23,500)              |
| (1,162)               | Provisions                             | <b>16</b> | (994)                 |
| (38,242)              | Other Long Term Liabilities            |           | (30,253)              |
| (886,443)             | - Local Government Pension Scheme      | <b>27</b> | (872,200)             |
| (886,443)             | - Firefighters' Pension Scheme         | <b>27</b> | (872,200)             |
| <b>(950,347)</b>      | <b>Long Term Liabilities</b>           |           | <b>(926,947)</b>      |
| <b>(795,601)</b>      | <b>Net Liabilities</b>                 |           | <b>(767,297)</b>      |
|                       | <b>Usable Reserves</b>                 |           |                       |
| 4,351                 | General Fund                           |           | 4,341                 |
| 13,481                | Earmarked General Fund Reserves        |           | 11,035                |
| 9,669                 | Capital Receipts Reserve               |           | 13,153                |
| <b>27,501</b>         | <b>Usable reserves</b>                 | <b>17</b> | <b>28,529</b>         |
|                       | <b>Unusable Reserves</b>               |           |                       |
| 38,180                | Revaluation Reserve                    |           | 41,336                |
| 67,401                | Capital Adjustment Account             |           | 66,978                |
| (828)                 | Holiday Pay Account                    |           | (1,269)               |
| (3,170)               | Collection Fund Adjustment Account     |           | (418)                 |
| (924,685)             | Pension Reserve                        |           | (902,453)             |
| <b>(823,102)</b>      | <b>Unusable Reserves</b>               | <b>18</b> | <b>(795,826)</b>      |
| <b>(795,601)</b>      | <b>Total Reserves</b>                  |           | <b>(767,297)</b>      |

## Cash Flow Statement

For the year ended 31 March 2022

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| 14,451          | <b>Net (surplus) or deficit on the provision of services</b>  | 15,574          |
| (21,945)        | <b>Adjustment to surplus or deficit on the provision of services for non-cash movements - see below</b>                                     | (21,255)        |
|                 | <b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                 |
| 1,192           | Proceeds from the sale of assets  | 3,530           |
| <b>(6,302)</b>  | <b>Net cash flows from operating activities</b>   | <b>(2,151)</b>  |
|                 | <b>Net cash outflows from investing activities</b>  |                 |
| 2,615           | Purchase of assets  | 2,900           |
| -               | EFA Trading Ltd share investment  | (94)            |
| (1,192)         | Proceeds from the sale of assets  | (3,530)         |
| -               | <b>Net cash outflows from financing activities</b>  | -               |
| <b>(4,879)</b>  | <b>Net (increase)/decrease in cash and cash equivalents</b>   | <b>(2,875)</b>  |
| <b>(12,719)</b> | Cash and cash equivalents at the beginning of the reporting period  | <b>(17,598)</b> |
| <b>(17,598)</b> | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>(20,473)</b> |

### Adjustment to surplus or deficit on the provision of services for non-cash movements

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| (5,047)         | Depreciation and impairments                   | (4,307)         |
| 352             | Revaluation gains/(losses)                     | 700             |
| (149)           | (Increase)/decrease in creditors               | 411             |
| 19              | (Increase)/decrease in provisions              | 168             |
| 229             | Increase/(decrease) in inventories             | (218)           |
| (1,887)         | Increase/(decrease) in debtors                 | 1,408           |
| 5               | (Increase)/decrease in provision for bad debts | 6               |
| (14,378)        | Movement in pension liability                  | (16,153)        |
| (1,089)         | Carrying amount of non-current assets sold     | (3,270)         |
| <b>(21,945)</b> |  | <b>(21,255)</b> |



# Essex County Fire & Rescue Service Notes To The Accounts



## Notes To The Accounts

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 53 to 90 and provide further information upon the financial performance of the Authority during 2021/22.

### 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.

| 2020/21  |  |   | 2021/22  |  |   |
|--|--|---|--|--|---|
| Net Expenditure chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 | Net Expenditure chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
| 67,200   | 4,935  | 72,135  | 69,452   | 4,048  | 73,500  |
| (71,067)   | 13,383   | (57,684)  | (66,995)   | 9,069  | (57,926)  |
| <b>(3,867)</b>   | <b>18,318</b>  | <b>14,451</b>   | <b>2,457</b>   | <b>13,117</b>  | <b>15,574</b>   |
| (13,965)   |  |   | (17,832)   |  |   |
| (3,867)  |  |   | 2,456  |  |   |
| <b>(17,832)</b>  |  |   | <b>(15,376)</b>  |  |   |

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

The tables below provides analysis of the Adjustments between Funding and Accounting Basis for 2021/22 and 2020/21 respectively.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts                           | Adjustments for Capital Purposes<br>£000 | Net change for Pensions adjustments<br>£000 | Other differences<br>£000 | Total Adjustments<br>£000 |
|---|--|---|---------------------------|---------------------------|
| <b>2021/22</b>  |  |   |                           |                           |
| <b>Provision of Fire Services</b>   | <b>3,607</b>                             | -   | 441                       | <b>4,048</b>              |
| Other Income and Expenditure from the Funding Analysis  | (4,212)                                  | 16,152                                      | (2,752)                   | 9,188                     |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b> | <b>(605)</b>                             | <b>16,152</b>                               | <b>(2,311)</b>            | <b>13,236</b>             |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts                           | Adjustments for Capital Purposes | Net change for Pensions adjustments | Other differences | Total Adjustments |
|---|----------------------------------|-------------------------------------|-------------------|-------------------|
| 2020/21   | £000                             | £000                                | £000              | £000              |
| Provision of Fire Services  | 4,694                            | -                                   | 241               | 4,935             |
| Other Income and Expenditure from the Funding Analysis  | (4,632)                          | 14,378                              | 3,637             | 13,383            |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b> | <b>62</b>                        | <b>14,378</b>                       | <b>3,878</b>      | <b>18,318</b>     |

## Accounting policies

### 2.1 General

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22, supported by International Financial Reporting Standards.

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

### 2.2 Charges to revenue for non-current assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. The Authority will, however, use capital receipts and/or make a contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution to capital financing in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 2.3 Prior period adjustments, changes in accounting policies and estimates and errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## 2.4 Events after the balance sheet date

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

Two types of events can be identified:

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

## 2.5 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from contracts with service recipients is recognised in accordance with IFRS 15 Revenue from Contracts with Customers, when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 2.6 Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### 2.6.1 Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation 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.

The 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 2.7 Provisions and contingent liabilities

### 2.7.1 Provisions

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

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

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



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

## 2.7.2 Contingent liabilities

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

## 2.8 Reserves

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

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

## 2.9 Cash and Cash equivalents

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

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

## 2.10 Property Plant and Equipment

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

### 2.10.1 Recognition

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

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

## 2.10.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

### 2.10.3 Impairment

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

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

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

### 2.10.4 Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property;
- vehicles, plant, and equipment – straight line allocation over the useful lives of the asset, usually 8 to 15 years; and
- infrastructure – straight-line allocation over 25 years.

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

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

### 2.10.5 Statutory charge for capital financing

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

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

When an asset is being actively marketed, and it is probable that a sale will occur within twelve months of the year end date, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the (Gain) or loss on Disposal of Fixed Assets line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

## 2.11 Operating Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

### 2.11.1 The Authority as lessee

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

## 2.12 Inventories

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

## 2.13 Government Grants and Contributions

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

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

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

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

## 2.14 Employee Benefits

### 2.14.1 Benefits Payable During Employment

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

### 2.14.2 Termination Benefits

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

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

### 2.14.3 Post-Employment Benefits

The Authority participates in three different pension schemes:

#### 2.14.3.1 Local Government Pension Scheme

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

The LGPS is accounted for as a defined benefits scheme

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

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

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

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

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

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

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

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

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

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

**Benefits paid** – payments to discharge liabilities directly to pensioners.

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

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

### 2.14.3.2 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 assets and liabilities are accounted for in the same way as the LGPS.

### 2.14.3.3 Retained Firefighters' Pension Scheme

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

The Fire Authority's involvement is limited to informing all eligible personnel of the availability of the scheme and paying the agreed employer's subsidy. The Authority has no responsibility for the level of payment of pensions. During 2015/16 a new modified pension scheme was introduced for retained firefighters.

## 2.15 Financial Instruments

### 2.15.1 Financial Assets

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

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

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

Loans and receivables are measured at amortised cost.

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

- Assets valued at Amortised cost are reduced by the value of the expected losses (impairment) and reflected in their carrying amount.
- Assets carried at Fair Value through Other Comprehensive Income have their loss allowance recognised in the Financial Instruments Revaluation Reserve.
- Assets carried at Fair Value through Profit or Loss have their loss allowance recognised in the Surplus or Deficit on Provision of Services.

### 2.15.2 Financial Liabilities

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

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

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

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



## 2.16 Value Added Tax (VAT)

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

## 2.17 Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note 2.13.1. The authority also measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 – unobservable inputs for the asset

### 3 Accounting Standards Issued 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:

- IFRS 16 Leases – this standard was issued on 12 July 2019 and is effective from 1<sup>st</sup> April 2024.
- Annual Improvements to IFRS Standards 2018–2020 – the improvement programme was issued 14<sup>th</sup> May 2020 and will be effective for accounting periods beginning on or after 1<sup>st</sup> January 2022. The standards impacted by the change include:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

### 4 Critical Judgements in Applying Accounting Policies

At the current time there are no critical judgements that have been made that will affect these Statements, but there is a certain amount of uncertainty about future levels of Government funding. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. As a result, there has been no impact on note 9, Property, Plant & Equipment.

### 5 Changes in Accounting Estimates

In the previous financial year, the Authority performed a review of asset useful lives. As a result, the lives of 64 fire appliances were extended from twelve to fifteen years in line with the Fleet Strategy. This reduced the minimum revenue provision in 2020/21 by £486k, as the change in accounting estimate was applied prospectively in line with IAS 8.

### 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 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

### Property, Plant and Equipment – Asset Lives

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.

The useful lives of properties are estimated by Lambert Smith Hampton, a firm of RICS qualified property experts. The useful lives of other assets are determined by management, following the recommendation of the Fleet Services, ICT and Estates teams.

The carrying value of depreciating assets at 31 March 2022 is £91.8m. If the useful economic life (UEL) of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment assets would increase by £912k for every year that useful lives had to be reduced.

### Property, Plant and Equipment – Property revaluations

All properties were revalued as at the 31<sup>st</sup> March 2022, the key assumptions are below:

**Rebuild Cost** – this is used in the depreciated replacement cost (DRC) valuation approach for Fire Stations. Rebuild cost is determined by the valuer, Lambert Smith Hampton, a firm of RICS qualified property experts, and is based on assumptions including statistics from the Building Cost Information Service (BCIS). Where the BCIS Rebuild Cost is higher, this will lead to a higher property valuation. The current carrying value of Land and Buildings valued at DRC is £121.9m.

**Gross internal area (GIA)** – the GIA of properties is measured by a survey of the estate as a minimum, every five years. The GIA of Fire Stations and Service Headquarters in the last survey was 34,415m<sup>2</sup>. It is not expected that there has been any material change to gross internal area.

**Obsolescence** – Functional, economic and environmental obsolescence is an assumption used in the depreciated replacement cost (DRC) valuation approach for Fire Stations. This is determined by the valuer based on the assumption that normal periodic maintenance will be carried out to maintain properties in their current state of repair. Where obsolescence is higher, the value of properties reduces on a straight line basis.

The current carrying value of Land and Building in the Balance Sheet is £126.5m, each 1% change in the valuation would amount to £1.26m.

### 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 2022 is £902,453k.

The actuary has rolled forward the value of liabilities calculated for the latest full funding valuation from 31 March 2021. It is not possible to assess the accuracy of the estimated value of liabilities without completing a full valuation, however the actuary is satisfied that the roll forward approach has not materially distorted the valuation, provided that the actual results of the pension fund are broadly in line with the underlying assumptions detailed in note **27.5**.

The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note **27.5**.

## 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

| 2021/22   | Usable Reserves      |                                |                          | Movement in Unusable Reserves |
|---|----------------------|--------------------------------|--------------------------|-------------------------------|
|   | General Fund Balance | Earmarked General Fund Reserve | Capital Receipts Reserve |                               |
|   | £000                 | £000                           | £000                     | £000                          |
| <b>Adjustments to the Revenue Resources</b>   |                      |                                |                          |                               |
| <b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b> |                      |                                |                          |                               |
| Pension costs (transferred to (or from) the Pensions Reserve)   | 16,153               | -                              | -                        | (16,153)                      |
| Council tax & NDR (transfers to/(from) Collection Fund)   | (2,752)              | -                              | -                        | 2,752                         |
| Holiday pay (transferred to the Accumulated Absences Reserve)   | 441                  | -                              | -                        | (441)                         |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)                          | 3,607                | -                              | -                        | (3,607)                       |
| <b>Total Adjustment to Revenue Resources</b>  | <b>17,449</b>        | <b>-</b>                       | <b>-</b>                 | <b>(17,449)</b>               |
| <b>Adjustments between Revenue and Capital Resources</b>  |                      |                                |                          |                               |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve  | (262)                | -                              | 3,484                    | (3,222)                       |
| Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)  | (4,069)              | -                              | -                        | 4,069                         |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>(4,331)</b>       | <b>-</b>                       | <b>3,484</b>             | <b>847</b>                    |
| <b>Total Adjustments</b>  | <b>13,118</b>        | <b>-</b>                       | <b>3,484</b>             | <b>(16,602)</b>               |

### Accounting basis and funding basis under regulations

| 2020/21   | Usable Reserves      |                                |                          | Movement in Unusable Reserves |
|---|----------------------|--------------------------------|--------------------------|-------------------------------|
|   | General Fund Balance | Earmarked General Fund Reserve | Capital Receipts Reserve |                               |
| Comparative figures   | £000                 | £000                           | £000                     | £000                          |
| <b>Adjustments to the Revenue Resources</b>   |                      |                                |                          |                               |
| <b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b> |                      |                                |                          |                               |
| Pension costs (transferred to (or from) the Pensions Reserve)   | 14,378               | -                              | -                        | (14,378)                      |
| Council tax & NDR (transfers to/(from) Collection Fund)   | 3,637                | -                              | -                        | (3,637)                       |
| Holiday pay (transferred to the Accumulated Absences Reserve)   | 241                  | -                              | -                        | (241)                         |
| 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)                          | 4,483                | -                              | -                        | (4,483)                       |
| <b>Total Adjustment to Revenue Resources</b>  | <b>22,739</b>        | <b>-</b>                       | <b>-</b>                 | <b>(22,739)</b>               |
| <b>Adjustments between Revenue and Capital Resources</b>  |                      |                                |                          |                               |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve  | (103)                | -                              | 1,192                    | (1,089)                       |
| Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)  | (4,318)              | -                              | -                        | 4,318                         |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>(4,421)</b>       | <b>-</b>                       | <b>1,192</b>             | <b>3,229</b>                  |
| <b>Total Adjustments</b>  | <b>18,318</b>        | <b>-</b>                       | <b>1,192</b>             | <b>(19,510)</b>               |

## 8 Transfers to/from Earmarked Reserves

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

### Earmarked Contingency Reserves

This relates to specific risk-based contingencies.

### Earmarked Reserve – Productivity

This relates to Earmarked Reserves set aside for investment in productivity improvements within the Service.

### Earmarked Reserve – Specific Purpose

This relates to Earmarked Reserves set aside for other specific purposes.

| <b>2021/22</b>                                 | <b>Balance at 1 April</b> | <b>Additions/<br/>(Use) made<br/>in year</b> | <b>Transfer to<br/>General Fund</b> | <b>Balance at<br/>31 March</b> |
|--|---------------------------|--|-------------------------------------|--------------------------------|
|  | <b>£000</b>               | <b>£000</b>                                  | <b>£000</b>                         | <b>£000</b>                    |
| <b>Earmarked Contingency Reserves</b>          |                           |  |                                     |                                |
| Demand Pressures                               | 600                       | -  | -                                   | 600                            |
| Taxbase and Collection Account Reserve         | 200                       | -  | -                                   | 200                            |
| National Non-Domestic Rates Collection Reserve | 3,219                     | (1,524)                                      | -                                   | 1,695                          |
| Risk Protection                                | 285                       | -  | -                                   | 285                            |
|  | <b>4,304</b>              | <b>(1,524)</b>                               | <b>-</b>                            | <b>2,780</b>                   |
| <b>Earmarked Reserve - Productivity</b>        |                           |  |                                     |                                |
| On Call - Support                              | 400                       | (237)  | 300                                 | 463                            |
| Invest to Save                                 | 495                       | -  | 28                                  | 523                            |
| Innovation and Transformation                  | 4,000                     | (701)  | 500                                 | 3,799                          |
|  | <b>4,895</b>              | <b>(938)</b>                                 | <b>828</b>                          | <b>4,785</b>                   |
| <b>Earmarked Reserve - Specific Purpose</b>    |                           |  |                                     |                                |
| Unspent Government Grant - Covid 19            | 803                       | (413)  | 135                                 | 525                            |
| Operational Training Reserve                   | 1,000                     | (163)  | -                                   | 837                            |
| Learning & Development Programme               | 1,400                     | (170)  | -                                   | 1,230                          |
| Community Safety Programme - Sprinkler Support | 480                       | (8)  | -                                   | 472                            |
| LGPS Deficit                                   | 599                       | (295)  | -                                   | 304                            |
| Unspent Government Grant - Pensions            | -                         | -  | 102                                 | 102                            |
|  | <b>4,282</b>              | <b>(1,049)</b>                               | <b>237</b>                          | <b>3,470</b>                   |
| <b>Total Earmarked Reserves</b>                | <b>13,481</b>             | <b>(3,511)</b>                               | <b>1,065</b>                        | <b>11,035</b>                  |

| <b>2020/21</b>                                 | <b>Balance at 1 April</b> | <b>Additions/<br/>(Use) made<br/>in year</b> | <b>Transfer to<br/>General Fund</b> | <b>Balance at<br/>31 March</b> |
|--|---------------------------|--|-------------------------------------|--------------------------------|
|  | <b>£000</b>               | <b>£000</b>                                  | <b>£000</b>                         | <b>£000</b>                    |
| <b>Earmarked Contingency Reserves</b>          |                           |  |                                     |                                |
| Demand Pressures                               | 600                       | -  | -                                   | 600                            |
| Taxbase and Collection Account Reserve         | 200                       | -  | -                                   | 200                            |
| National Non-Domestic Rates Collection Reserve | 200                       | 3,019  | -                                   | 3,219                          |
| Rolling Budgets Reserve                        | 85                        | -  | (85)                                | -                              |
| Risk Protection                                | 250                       | 235  | (200)                               | 285                            |
| Business Continuity                            | 150                       | -  | (150)                               | -                              |
|  | <b>1,485</b>              | <b>3,254</b>                                 | <b>(435)</b>                        | <b>4,304</b>                   |
| <b>Earmarked Reserve - Productivity</b>        |                           |  |                                     |                                |
| On Call - Support                              | 400                       | -  | -                                   | 400                            |
| Invest to Save                                 | 495                       | -  | -                                   | 495                            |
| Innovation and Transformation                  | 4,000                     | -  | -                                   | 4,000                          |
|  | <b>4,895</b>              | <b>-</b>                                     | <b>-</b>                            | <b>4,895</b>                   |
| <b>Earmarked Reserve - Specific Purpose</b>    |                           |  |                                     |                                |
| Unspent Government Grant - Covid 19            | 262                       | 541  | -                                   | 803                            |
| Operational Training Reserve                   | 1,000                     | -  | -                                   | 1,000                          |
| Learning & Development Programme               | 1,400                     | -  | -                                   | 1,400                          |
| Community Safety Programme - Sprinkler Support | 600                       | -  | (120)                               | 480                            |
| LGPS Deficit                                   | 884                       | -  | (285)                               | 599                            |
|  | <b>4,146</b>              | <b>541</b>                                   | <b>(405)</b>                        | <b>4,282</b>                   |
| <b>Total Earmarked Reserves</b>                | <b>10,526</b>             | <b>3,795</b>                                 | <b>(840)</b>                        | <b>13,481</b>                  |

## 9 Property, Plant, and Equipment

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

| <b>2021/22</b>   | <b>Land and buildings</b> | <b>Vehicles, plant &amp; equipment</b> | <b>Assets under construction</b> | <b>Surplus Assets</b> | <b>Total PP&amp;E</b> |
|--|---------------------------|--|----------------------------------|-----------------------|-----------------------|
| <b>Cost or valuation</b>   | <b>£000</b>               | <b>£000</b>                            | <b>£000</b>                      | <b>£000</b>           | <b>£000</b>           |
| At 1 April   | 123,029                   | 35,674                                 | 752                              | 2,203                 | 161,657               |
| Transfer from FAUC   | 1,060                     | 838                                    | (1,898)                          | -                     | -                     |
| Additions  | -                         | -                                      | 3,277                            | -                     | 3,277                 |
| Impairments  | -                         | -                                      | -                                | -                     | -                     |
| Reclassifications and transfers  | (2,080)                   | -                                      | (145)                            | 635                   | (1,590)               |
| Revaluation increases/(decreases) to Revaluation Reserve                               | 3,192                     | -                                      | -                                | 141                   | 3,333                 |
| Revaluation increases/(decreases) to surplus or deficit on the provision of services   | 700                       | -                                      | -                                | -                     | 700                   |
| Disposals  | (1,075)                   | (809)                                  | -                                | (1,278)               | (3,161)               |
| <b>At 31 March</b>   | <b>124,827</b>            | <b>35,703</b>                          | <b>1,986</b>                     | <b>1,701</b>          | <b>164,216</b>        |
| <b>Depreciation and impairment</b>   |                           |  |                                  |                       |                       |
| At 1 April   | -                         | 24,270                                 | -                                | -                     | 24,270                |
| Depreciation charge  | 2,130                     | 2,148                                  | -                                | 29                    | 4,307                 |
| Other movements in depreciation to the Revaluation Reserve                             | (2,130)                   | -                                      | -                                | (29)                  | (2,159)               |
| Other movements in depreciation to the surplus or deficit on the provision of services | -                         | -                                      | -                                | -                     | -                     |
| Disposals  | -                         | (804)                                  | -                                | -                     | (804)                 |
| <b>At 31 March</b>   | <b>-</b>                  | <b>25,614</b>                          | <b>-</b>                         | <b>-</b>              | <b>25,614</b>         |
| <b>Net Book value</b>  |                           |  |                                  |                       |                       |
| <b>At 31 March 2022</b>  | <b>124,827</b>            | <b>10,089</b>                          | <b>1,986</b>                     | <b>1,700</b>          | <b>138,601</b>        |
| <b>At 31 March 2021</b>  | <b>123,029</b>            | <b>11,404</b>                          | <b>752</b>                       | <b>2,203</b>          | <b>137,387</b>        |

| <b>2020/21</b>   | <b>Land and buildings</b> | <b>Vehicles, plant &amp; equipment</b> | <b>Assets under construction</b> | <b>Surplus Assets</b> | <b>Total PP&amp;E</b> |
|--|---------------------------|--|----------------------------------|-----------------------|-----------------------|
| <b>Cost or valuation</b>   | <b>£000</b>               | <b>£000</b>                            | <b>£000</b>                      | <b>£000</b>           | <b>£000</b>           |
| At 1 April   | 125,524                   | 39,094                                 | 694                              | -                     | 165,312               |
| Transfer from FAUC   | 952                       | 1,749                                  | (2,701)                          | -                     | -                     |
| Additions  | -                         | -                                      | 2,759                            | -                     | 2,759                 |
| Impairments  | -                         | -                                      | -                                | -                     | -                     |
| Reclassifications and transfers  | (3,115)                   | -                                      | -                                | 2,113                 | (1,002)               |
| Revaluation increases/(decreases) to Revaluation Reserve                               | 547                       | -                                      | -                                | 90                    | 637                   |
| Revaluation increases/(decreases) to surplus or deficit on the provision of services   | 199                       | -                                      | -                                | -                     | 199                   |
| Disposals  | (1,078)                   | (5,169)                                | -                                | -                     | (6,247)               |
| <b>At 31 March</b>   | <b>123,029</b>            | <b>35,674</b>                          | <b>752</b>                       | <b>2,203</b>          | <b>161,657</b>        |
| <b>Depreciation and impairment</b>   |                           |  |                                  |                       |                       |
| At 1 April   | 10                        | 27,030                                 | -                                | -                     | 27,040                |
| Depreciation charge  | 2,596                     | 2,398                                  | -                                | 52                    | 5,046                 |
| Other movements in depreciation to the Revaluation Reserve                             | (2,453)                   | -                                      | -                                | (52)                  | (2,505)               |
| Other movements in depreciation to the surplus or deficit on the provision of services | (153)                     | -                                      | -                                | -                     | (153)                 |
| Disposals  | -                         | (5,158)                                | -                                | -                     | (5,158)               |
| <b>At 31 March</b>   | <b>-</b>                  | <b>24,270</b>                          | <b>-</b>                         | <b>-</b>              | <b>24,270</b>         |
| <b>Net Book value</b>  |                           |  |                                  |                       |                       |
| <b>At 31 March 2021</b>  | <b>123,029</b>            | <b>11,404</b>                          | <b>752</b>                       | <b>2,203</b>          | <b>137,387</b>        |
| <b>At 31 March 2020</b>  | <b>125,514</b>            | <b>12,064</b>                          | <b>694</b>                       | <b>-</b>              | <b>138,272</b>        |

The net book value of revalued assets at 31<sup>st</sup> March 2022 is £128.0m (2021 - £126.1m).

At the 31 March 2022 the Authority had capital commitments of £5.6m in relation to new vehicle purchases, the implementation of a new control system and improvement of properties (2021 - £0.9m).

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

| <b>Class of asset</b>      | <b>Asset life for depreciation purposes</b> |
|----------------------------|---|
| Buildings                  | 5 to 48 years                               |
| Fire appliances            | 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 14.

The freehold and leasehold properties within the Authority's property portfolio are valued by the Authority's property advisors (Lambert Smith Hampton) with impairment reviews made annually by management. 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, other operational properties are valued at existing use value and surplus properties at fair value using Level 2 of the fair value hierarchy.

At the 31 March 2022 a revaluation review of all properties was carried out and an increase has been reflected as appropriate.

## 10 Financial Instruments

### Financial Instrument Balances

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

|                         | Non current     |                 | Current         |                 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
|                         | 2020/21<br>£000 | 2021/22<br>£000 | 2020/21<br>£000 | 2021/22<br>£000 |
| <b>Investments</b>      |                 |                 |                 |                 |
| Investments             | -               | -               | 94              | -               |
| Cash & cash equivalents | -               | -               | 17,598          | 20,473          |
| <b>Debtors</b>          |                 |                 |                 |                 |
| Short-term debtors      | -               | -               | 561             | 883             |
| <b>Creditors</b>        |                 |                 |                 |                 |
| Short term creditors    | -               | -               | (3,516)         | (3,588)         |
| <b>Borrowings</b>       |                 |                 |                 |                 |
| Long term borrowing     | (24,500)        | (23,500)        | -               | -               |
| Short term borrowing    | -               | -               | (250)           | (1,250)         |

Current debtors and creditors are valued at invoice value or equivalent. The fair value of these balances is estimated to be equivalent to their carrying value. The accounts include interest payable of **£1,173k** and interest income of **£7k**.



The fair value of loans borrowed from the Public Works Loans Board (PWLB) is **£28.5m** compared to their book value of **£24.5m** (£30.5m, £24.5m in 2020/21). The fair value of loans is higher than the carrying amount because the Authority's portfolio of loans comprises fixed rate loans where the interest rate is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

## 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 2022 the fair value of PWLB debt is **£28.5m** compared to £30.5m as at 31 March 2021.

| 2020/21 PWLB loans<br>£000 |                            | 2021/22<br>£000 |
|----------------------------|----------------------------|-----------------|
|                            | <b>Repayment period</b>    |                 |
| 1,000                      | Between 1 - 2 years        | -               |
| 2,000                      | Between 2 - 5 years        | 2,000           |
| 15,000                     | Between 5 - 10 years       | 15,000          |
| 6,500                      | Over 10 years              | 6,500           |
| <b>24,500</b>              | <b>Balance at 31 March</b> | <b>23,500</b>   |

The longest dated loan is one of **£4.5m** that runs until December 2034. The weighted average interest rate was 4.79% at 31 March (2020/21 4.79%).

## 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 above.

## 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.

### 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 2022 was **£20.5m** as detailed in note 12 (£17.6m at 31 March 2021).

### 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.

### 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.

## 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 £247.5k per annum.

## 11 Debtors

The analysis of Debtors is shown below:

| 2020/21      |                                | 2021/22      |
|--------------|--------------------------------|--------------|
| £000         |                                | £000         |
| 3,269        | Central government bodies      | 1,711        |
| -            | Collection Fund                | 1,729        |
| 2,157        | Pension Fund                   | 3,499        |
| 1,907        | Other entities and individuals | 1,808        |
| <b>7,333</b> |                                | <b>8,747</b> |

The aged debt analysis for trade debtors below shows that **£86k** (31%) of these debtors are past their due date for payment.

| Aged analysis of sales ledger | £000 | %  |
|-------------------------------|------|----|
| 0 to 30 days                  | 189  | 69 |
| 31 to 60 days                 | 48   | 17 |
| 61 to 90 days                 | 8    | 3  |
| 91 to 121 days                | 5    | 2  |
| 121+ days                     | 25   | 9  |

## 12 Cash and Cash Equivalents

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

| 2020/21       |                             | 2021/22       |
|---------------|-----------------------------|---------------|
| £000          |                             | £000          |
| 7,598         | Bank accounts               | 8,472         |
| 10,000        | Cash equivalent investments | 12,001        |
| <b>17,598</b> |                             | <b>20,473</b> |

### 13 Assets Held for Sale

| 2020/21    |  | 2021/22      |
|------------|--|--------------|
| £000       |  | £000         |
| -          | <b>Balance at 1 April</b>                | <b>912</b>   |
| 912        | Assets newly classified as held for sale | <b>1,445</b> |
| -          | Assets sold                              | <b>(912)</b> |
| <b>912</b> | <b>Balance at 31 March</b>               | <b>1,445</b> |

Assets held for sale relate to surplus day crewed housing, actively marketed for sale at year end.

### 14 Creditors

The analysis of Creditors is shown below:

| 2020/21        |                | 2021/22        |
|----------------|----------------|----------------|
| £000           |                | £000           |
| (7,059)        | Trade payables | <b>(6,251)</b> |
| (862)          | Other payables | <b>(1,306)</b> |
| <b>(7,921)</b> |                | <b>(7,557)</b> |

### 15 Grant receipts in advance

The Authority has **£1,233k** grant receipts in advance (2020/21 £1,049k), of which **£1,211k** is for revenue and **£22k** for capital purposes.

### 16 Provisions

|                                    | Risk protection provision | Non-domestic rating appeals | Provision for payments to leavers | Provision for taxation on pension scheme | Total provisions |
|------------------------------------|---------------------------|-----------------------------|-----------------------------------|--|------------------|
|                                    | £000                      | £000                        | £000                              | £000                                     | £000             |
| <b>Balance at 1 April</b>          | <b>(100)</b>              | <b>(953)</b>                | <b>(28)</b>                       | <b>(81)</b>                              | <b>(1,162)</b>   |
| Adjustment to opening balance      | -                         | -                           | -                                 | -  | -                |
| Additional provisions made in year | (25)                      | 99                          | -                                 | -  | <b>74</b>        |
| Amounts used in year               | -                         | -                           | 28                                | 66                                       | <b>94</b>        |
| Unused amounts reversed in year    | -                         | -                           | -                                 | -  | -                |
| <b>Balance at 31 March</b>         | <b>(125)</b>              | <b>(854)</b>                | <b>-</b>                          | <b>(15)</b>                              | <b>(994)</b>     |

The balance of the Risk Protection provision at 31 March 2022 was **£125k** (2021 £100k) and includes provision for claims for motor, employers' liability and public liability policies. From October 2008 the Authority's insured against third party claims on its motor policy. The provision includes an allowance for incidents in the period where claims have not yet been notified.

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

## 17 Usable Reserves

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

### 17.1 General Fund

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

### 17.2 Capital Receipts Reserve

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

## 18 Unusable Reserves

An analysis of the unusable reserves is shown below:

| 2020/21<br>£000 |                                    | 2021/22<br>£000 |
|-----------------|------------------------------------|-----------------|
| 38,180          | Revaluation Reserve                | 41,336          |
| 67,401          | Capital Adjustment Account         | 66,978          |
| (828)           | Holiday Pay Account                | (1,269)         |
| (3,170)         | Collection Fund Adjustment Account | (418)           |
| (924,685)       | Pensions Reserve                   | (902,453)       |
| (823,102)       |                                    | (795,826)       |

### 18.1 Revaluation Reserve

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

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

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

| 2020/21 |   | 2021/22        |
|---------|---|----------------|
| £000    |   | £000           |
| 36,522  | <b>Balance at 1 April</b>   | <b>38,180</b>  |
| 3,052   | Upward revaluation of assets  | <b>5,491</b>   |
| 3,052   | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | <b>5,491</b>   |
| (853)   | Difference between fair value depreciation and historical cost depreciation   | <b>(644)</b>   |
| (541)   | Accumulated gains on assets sold  | <b>(1,691)</b> |
| (1,394) | Amount written off to the Capital Adjustment Account  | <b>(2,335)</b> |
| 38,180  | <b>Balance at 31 March</b>  | <b>41,336</b>  |

## 18.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The note below provides details of the transactions posted to the Account:

| 2020/21 |  | 2021/22        |
|---------|--|----------------|
| £000    |  | £000           |
| 67,261  | <b>Balance at 1 April</b>  | <b>67,402</b>  |
|         | <b>Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</b>                     |                |
| (5,046) | Charges for depreciation & impairment of non current assets  | <b>(4,307)</b> |
| 352     | Revaluation gains/(losses)   | <b>700</b>     |
| (1,089) | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure statement | <b>(3,270)</b> |
| 1,394   | Adjusting amounts written out of the Revaluation Reserve (See Note 19.1 above)   | <b>2,335</b>   |
| (4,389) | <b>Net written out amount of the cost of non current assets consumed in the year</b>   | <b>(4,542)</b> |
|         | <b>Capital financing applied in the year:</b>  |                |
| 211     | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | <b>-</b>       |
| -       | Capital receipts funding   | <b>48</b>      |
| 4,318   | Statutory provision for the financing of capital investment charged against the General Fund balance   | <b>3,950</b>   |
| -       | Direct revenue financing of capital investment charged against the General Fund balance  | <b>120</b>     |
| 4,529   |  | <b>4,118</b>   |
| 67,401  | <b>Balance at 31 March</b>   | <b>66,978</b>  |

### 18.3 Holiday Pay Account

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

| 2020/21  | 2021/22        |
|--|----------------|
| £000   | £000           |
| (587) Balance at 1 April                                       | (828)          |
| (241) Change in amounts accrued at the end of the current year | (441)          |
| <u>(828) Balance at 31 March</u>                               | <u>(1,269)</u> |

### 18.4 Collection Fund Adjustment Account

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

| 2020/21   | 2021/22      |
|---|--------------|
| £000  | £000         |
| 467 Balance at 1 April  | (3,170)      |
| 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 |              |
| (3,637) in accordance with regulation   | 2,752        |
| <u>(3,170) Balance at 31 March</u>  | <u>(418)</u> |

### 18.5 Pension Reserve

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

| 2020/21  | 2021/22          |
|--|------------------|
| £000   | £000             |
| (740,790) Balance at 1 April   | (924,685)        |
| (169,517) Actuarial gains or (losses) on pension assets and liabilities  | 38,385           |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the provision of Services |                  |
| (14,378) in the Comprehensive Income and Expenditure Statement   | (16,153)         |
| <u>(924,685) Balance at 31 March</u>   | <u>(902,453)</u> |

## 19 Governance Expenses

Governance expenses paid to the Police, Fire and Crime Commissioner for Essex in 2021/22 totalled **£221k** (£221k for 2020/21).

## 20 Officers' Remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2021/22 is listed below:

| Remuneration band   | Number of officers |         |
|---------------------|--------------------|---------|
|                     | 2020/21            | 2021/22 |
| £50,000 - £54,999   | 40                 | 43      |
| £55,000 - £59,999   | 47                 | 58      |
| £60,000 - £64,999   | 19                 | 20      |
| £65,000 - £69,999   | 8                  | 16      |
| £70,000 - £74,999   | 8                  | 10      |
| £75,000 - £79,999   | 1                  | 5       |
| £80,000 - £84,999   | 4                  | 1       |
| £85,000 - £89,999   | 2                  | 4       |
| £90,000 - £94,999   | 5                  | 2       |
| £95,000 - £99,999   | 2                  | -       |
| £100,000 - £104,999 | 1                  | 2       |
| £105,000 - £109,999 | -                  | -       |
| £110,000 - £114,999 | -                  | 1       |
| £115,000 - £119,999 | 1                  | -       |
| £120,000 - £124,999 | -                  | 1       |
| £125,000 - £129,999 | 2                  | -       |
| £130,000 - £134,999 | -                  | -       |
| £135,000 - £139,999 | -                  | 1       |
| £140,000 - £144,999 | 1                  | -       |
| £145,000 - £149,999 | -                  | 1       |
| £150,000 - £154,999 | -                  | 1       |
| £155,000 - £159,999 | 1                  | -       |

The tables below detail the individual remuneration of senior employees for 2021/22 and 2020/21 respectively.



**21.1 2021/22**

| Senior Officer Remuneration   | Salary       |                    | Car & Mileage Taxable Benefits | Health Insurance | Employers Pension Contribution |
|---|--------------|--------------------|--------------------------------|------------------|--------------------------------|
|   | Basic salary | Special allowances |                                |                  |                                |
| <b>2021/22</b>  |              |                    |                                |                  |                                |
| Chief Fire Officer and Chief Executive - Jo Turton (Resigned 31/12/2021)    | £136,210     | -                  | -                              | £1,660           | -                              |
| Chief Fire Officer and Chief Executive - Rick Hylton (Appointed 01/01/2022) | £147,200     | -                  | -                              | -                | £40,723                        |
| Deputy Chief Fire Officer (Appointed 01/01/2022)                            | £121,778     | -                  | -                              | £1,660           | £34,262                        |
| Director of Operations (Appointed 01/03/2022)                               | £72,279      | -                  | -                              | -                | £20,204                        |
| Assistant Chief Executive Officer - People Values and Culture               | £101,626     | £1,239             | -                              | -                | £20,224                        |
| Director of Innovation, Risk and Future Development (Resigned 24/07/2021)   | £42,979      | -                  | -                              | £648             | £11,154                        |
| Director of Corporate Services  | £115,000     | -                  | £6,498                         | -                | £22,885                        |
| Chief Finance Officer   | £90,689      | -                  | £344                           | -                | £18,263                        |

The Authority sold a car to Jo Turton in the year for £29,000. This was an arm's length transaction at market value.

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

**21.2 2020/21**

| Senior Officer Remuneration                                      | Salary       |                    | Car & Mileage Taxable Benefits | Health Insurance | Employers Pension Contribution |
|--|--------------|--------------------|--------------------------------|------------------|--------------------------------|
|  | Basic salary | Special allowances |                                |                  |                                |
| <b>2020/21</b>   |              |                    |                                |                  |                                |
| Chief Fire Officer and Chief Executive - Jo Turton               | £156,763     | -                  | -                              | £1,724           | -                              |
| Deputy Chief Fire Officer * **                                   | £134,736     | £5,688             | -                              | -                | £39,021                        |
| Director of Operations **  | £114,953     | £1,239             | -                              | £1,724           | £32,946                        |
| Assistant Chief Executive Officer - People Values and Culture ** | £96,885      | £1,239             | -                              | -                | £19,280                        |
| Director of Innovation, Risk and Future Development              | £123,400     | -                  | -                              | £2,155           | £35,539                        |
| Director of Corporate Services                                   | £115,000     | -                  | £13,739                        | -                | £22,885                        |
| Chief Finance Officer  | £90,198      | -                  | £4,128                         | -                | £17,949                        |

\* Special allowances relate to temporary acting up to CFO role.

\*\* Above roles started as permanent positions during the year, having been temporary in prior year.

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

**21 External Audit Costs**

The Authority paid **£45k** (2020/21 £45k) for external audit services carried out by the appointed auditor.

## 22 Grant & Operational Income

This table shows the grant and operational income credited to the Comprehensive Income and Expenditure Statement in the year:

| 2020/21<br>£000     |  | 2021/22<br>£000 |
|---------------------|--|-----------------|
|                     | <b>Specific grant income</b>                     |                 |
| 3,517               | Additional Pension Grant                         | 3,619           |
| 857                 | New Dimension                                    | 857             |
| 642                 | FireLink   | 568             |
| -                   | Protection uplift                                | 140             |
| 25                  | Other  | 27              |
| <b>5,041</b>        |  | <b>5,211</b>    |
|                     | <b>Non specific grant income</b>                 |                 |
| 3,019               | Local Tax Income Guarantee Funding               | 1,087           |
| 1,392               | Small Business Rate Relief                       | 1,542           |
| -                   | Income tax compensation                          | 132             |
| -                   | Local council tax support                        | 752             |
| 1,400               | Covid 19 Support                                 | 135             |
| <b>5,811</b>        |  | <b>3,648</b>    |
|                     | <b>Other Operational Income</b>                  |                 |
| 133                 | Aerial Site Rental                               | 130             |
| 205                 | Staff Secondments                                | 246             |
| 95                  | Community Safety - Safer Essex Roads Partnership | 22              |
| -                   | Community Safety Youth Work- FireBreak courses   | 52              |
| 424                 | Shared Services/collaboration Income             | 526             |
| 69                  | Reimbursements from EFA(T) Trading Company       | -               |
| 497                 | Other Operational Income                         | 641             |
| <b>1,423</b>        |  | <b>1,617</b>    |
| <b>12,275 Total</b> |  | <b>10,476</b>   |

## 23 Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The necessary disclosures are detailed below:

**Central Government** - Central Government has effective control over the general operations of the Authority and prescribes the terms of many of the transactions that the Authority has with other parties (e.g., Council Tax bills). Central Government is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of general and specific grants. Funding from central government for the redistribution of national non-domestic rates and revenue support grant is identified in the Comprehensive Income and Expenditure Statement.

**The Police Fire and Crime Commissioner for Essex – R Hirst (The Commissioner)** - The Commissioner has significant influence over the Authority through his power to participate in financial and operating policy decisions (paragraph 3.9.2.10 of the Code of Practice). The Authority had no transactions with the Commissioner in the current or previous year, as the Authority transacts with the PFCC (separate legal entity).

**Police Fire and Crime Commissioner - Corporation Sole (PFCC)** - The Commissioner has control over the PFCC. A related party relationship arises where an individual is able to influence the policies of two entities. The Authority made net purchases from the PFCC in 2021/22 of £96k (£435k in 2020/21). This includes a recharge for a share of the cost for the PFCC. At year end the Authority was owed £2k by the PFCC, (2020/21 the Authority owed the PFCC £170k).

**Monitoring Officer** - The Monitoring Officer has significant influence over the Authority and is provided by the PFCC. The Authority had no transactions with the Monitoring Officer in the current or previous year, as the Authority transacts with the PFCC.

**Essex Police** - The Police Fire and Crime Commissioner has control over Essex Police. A related party relationship arises where an individual is able to influence the policies of two entities. The Authority made net sales to Essex Police in 2021/22 of £2k (2020/21, £17k). This includes recharges for collaboration projects. At the year end, the Authority was owed £nil by Essex Police, (2020/21, £1k).

**Senior Officers of the Authority** - The total remuneration paid to senior officers is shown in note **21**. Senior officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Senior officers of the Authority are required to declare whether they or any of their close family have been involved in any such related party transactions. Two senior officers of the Authority also acted as directors for a wholly owned trading facility, EFA (Trading) Limited, see further details below.

**EFA (Trading) Limited** - The Authority had wholly owned subsidiary – EFA (Trading) Limited. The company ceased trading on 31 December 2020 and was liquidated in 2021/22 - the final distribution to the Authority was £147k. The Authority did not make any sales to EFA (Trading) Limited in 2021/22 (£240k in 2020/21).

## 24 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.

| 2020/21<br>£000   | 2021/22<br>£000 |
|---|-----------------|
| 34,489  | <b>32,719</b>   |
| <b>Opening Capital Financing Requirement</b>                |                 |
| <b>Capital investment</b>                                   |                 |
| 2,759   | <b>3,132</b>    |
| Property, plant and equipment                               |                 |
| <b>Sources of finance</b>                                   |                 |
| -   | <b>(47)</b>     |
| Capital receipts  |                 |
| (211)   | -               |
| Government grants and other contributions                   |                 |
| <b>Sums set aside from revenue:</b>                         |                 |
| (4,318)   | <b>(3,950)</b>  |
| Revenue provision for capital financing                     |                 |
| -   | <b>(120)</b>    |
| Revenue contribution to capital                             |                 |
| 32,719  | <b>31,734</b>   |
| <b>Closing Capital Financing Requirement</b>                |                 |
| <b>Explanation of movements in year</b>                     |                 |
| (1,770)   | <b>(985)</b>    |
| Increase/(Decrease) in underlying need to borrow            |                 |
| (1,770)   | <b>(985)</b>    |
| <b>Increase/(Decrease) in Capital Financing Requirement</b> |                 |

## 25 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.

| 2020/21<br>£000  | 2021/22<br>£000 |
|--|-----------------|
| Commitments under operating leases                           |                 |
| 54   | <b>80</b>       |
| Property - Not later than one year                           |                 |
| 27   | <b>30</b>       |
| Vehicles - Not later than one year                           |                 |
| 6  | <b>15</b>       |
| Property - Later than one year and not later than five years |                 |
| 93   | <b>124</b>      |
| Vehicles - Later than one year and not later than five years |                 |
| -  | -               |
| Property - Later than five years                             |                 |
| 180  | <b>249</b>      |

## 26 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<br>£000 |
|----------------------|------------------------|---------------------|---------------|
|                      | Compulsory             | Other<br>Departures |               |
| <b>2021-22</b>       |                        |                     |               |
| up to £20k           | 1                      | -                   | 15            |
| £20k to £25k         | 1                      | -                   | 25            |
| £25k to £30k         | 2                      | -                   | 51            |
| £30k to £35k         | -                      | 1                   | 33            |
| £50k to £55k         | 1                      | -                   | 50            |
| <b>Total 2021-22</b> | <b>5</b>               | <b>1</b>            | <b>174</b>    |
| <b>2020-21</b>       |                        |                     |               |
| up to £20k           | 1                      | -                   | 21            |
| £20K to £40k         | 1                      | 1                   | 59            |
| £40k to £60k         | 2                      | -                   | 51            |
| <b>Total 2020-21</b> | <b>4</b>               | <b>1</b>            | <b>131</b>    |

The total cost of **£174k** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

## 27 Pensions

### 27.1 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 2021/22 this cost **£1k** (£1k in 2020/21).

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. 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.

## 27.2 Transactions Relating to Retirement Benefits

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

### McCloud/Sargeant ruling on pension account disclosures

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

Local Government Pension Scheme: An assessment of these cases has been made by the Funds Actuaries, Barnett Waddingham, and is included in our disclosure and reflected in the accounts.

Firefighters' Pension Scheme: The result of these cases is reflected in our Actuary's disclosure and is included within these accounts.

The following transactions have been made during the year:

|   | LGPS          |                | Firefighters   |              |
|---|---------------|----------------|----------------|--------------|
|   | 2020/21       | 2021/22        | 2020/21        | 2021/22      |
|   | £000          | £000           | £000           | £000         |
| <b>Net cost of services:</b>  |               |                |                |              |
| Service cost  | 5,663         | 6,308          | 16,224         | 18,421       |
| Net interest on the defined liability (asset)   | 719           | 738            | 16,550         | 17,500       |
| Administration expenses   | 41            | 35             | -              | -            |
| Remeasurements in Other Comprehensive Income  | 8,540         | (12,297)       | 160,977        | (26,088)     |
| <b>Net charge to the CIES</b>   | <b>14,963</b> | <b>(5,216)</b> | <b>193,751</b> | <b>9,833</b> |
| <b>Adjustments between accounting basis &amp; funding basis under regulations:</b>      |               |                |                |              |
| Reversal of net charges made for retirement benefits in accordance with IAS 19          | (6,423)       | (7,081)        | (32,774)       | (35,921)     |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b> |               |                |                |              |
| Employers' contributions payable to scheme  | 2,755         | 2,773          | 21,869         | 24,128       |

## 27.3 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 2019. This determined the level of contributions payable during the year.

Reconciliation of asset and benefit obligation:

|  | LGPS             |                  | Firefighters     |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/03/21         | 31/03/22         | 31/03/21         | 31/03/22         |
|  | £000             | £000             | £000             | £000             |
| <b>Opening Defined Benefit Obligation</b>            | (81,006)         | (111,388)        | (715,009)        | (886,891)        |
| Current service cost                                 | (5,511)          | (6,216)          | (15,980)         | (18,171)         |
| Interest cost  | (1,677)          | (2,219)          | (16,550)         | (17,500)         |
| Change in assumptions                                | (24,955)         | 6,984            | (155,035)        | 27,474           |
| Liabilities assumed on settlements                   | -                | -                | -                | -                |
| Experience (loss)/gain on defined benefit obligation | 988              | (224)            | (5,942)          | (1,386)          |
| Estimated benefits paid net of transfers in          | 1,766            | 1,795            | 25,346           | 27,635           |
| Past service costs, including curtailments           | (152)            | (92)             | (244)            | (250)            |
| Contributions by Scheme participants                 | (862)            | (884)            | (3,477)          | (3,507)          |
| Unfunded pension payments                            | 21               | 19               | -                | -                |
| <b>Closing Defined Benefit Obligation</b>            | <b>(111,388)</b> | <b>(112,225)</b> | <b>(886,891)</b> | <b>(872,596)</b> |

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

|   | LGPS          |               | Firefighters |          |
|---|---------------|---------------|--------------|----------|
|   | 31/03/21      | 31/03/22      | 31/03/21     | 31/03/22 |
|   | £000          | £000          | £000         | £000     |
| <b>Opening fair value of Scheme assets</b>                | 54,972        | 73,146        | -            | -        |
| Interest on assets  | 958           | 1,481         | -            | -        |
| Return on assets less interest                            | 15,427        | 5,537         | -            | -        |
| Administration expenses                                   | (41)          | (35)          | -            | -        |
| Contributions by employer including unfunded              | 2,755         | 2,773         | 21,869       | 24,128   |
| Contributions by Scheme participants                      | 862           | 884           | 3,477        | 3,507    |
| Estimated benefits paid plus unfunded net of transfers in | (1,787)       | (1,814)       | (25,346)     | (27,635) |
| Other actuarial gains/(losses)                            | -             | -             | -            | -        |
| Settlement prices received                                | -             | -             | -            | -        |
| <b>Closing fair value of Scheme assets</b>                | <b>73,146</b> | <b>81,972</b> | <b>-</b>     | <b>-</b> |

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£396k).

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.

## 27.4 Scheme History

| LGPS  | 31/03/18        | 31/03/19        | 30/03/20        | 30/03/21        | 31/03/22        |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | £000            | £000            | £000            | £000            | £000            |
| Fair Value of Assets in pension scheme      | 53,439          | 56,894          | 54,972          | 73,146          | 81,972          |
| Present Value of Defined Benefit Obligation | (80,854)        | (84,865)        | (81,006)        | (111,388)       | (112,225)       |
| Surplus/(deficit) in the Scheme             | <b>(27,415)</b> | <b>(27,971)</b> | <b>(26,034)</b> | <b>(38,242)</b> | <b>(30,253)</b> |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£984.8m** (£998.3m 2020/21) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£902.5m** (£924.7m 2020/21).

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 2022 is **£2.9m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2023 are **£7.8m**.

## 27.5 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. Full actuarial valuations are carried out on a tri-annual basis. In the intervening periods the roll-forward approach is used where assumptions are based on experience and estimates, rather than actual membership data to arrive at net pension liabilities. This approach does result in some level of estimation uncertainty in the intervening years but any differences are accounted for through Other Experience when actual membership data is used on each full tri-annual revaluation. 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 |            |
|--|------------|------------|--------------|------------|
|  | 2020/21    | 2021/22    | 2020/21      | 2021/22    |
| <b>Mortality assumptions:</b>  |            |            |              |            |
| <i>Longevity at 65 for future pensioners:</i>                                |            |            |              |            |
| Men  | 22.9 years | 23.0 years | 21.7 years   | 21.8 years |
| Women  | 25.1 years | 25.1 years | 24.2 years   | 24.3 years |
| <i>Longevity at 65 for current pensioners:</i>                               |            |            |              |            |
| Men  | 21.6 years | 21.6 years | 20.5 years   | 20.5 years |
| Women  | 23.6 years | 23.7 years | 22.7 years   | 22.8 years |
| Salary Increase Rate   | 3.85%      | 4.20%      | 3.85%        | 4.30%      |
| Rate of increase in pensions   | 2.85%      | 3.20%      | 2.85%        | 3.30%      |
| Discount Rate  | 2.00%      | 2.60%      | 2.00%        | 2.60%      |
| <b>Take-up of option to convert annual pension into retirement lump sum:</b> |            |            |              |            |
| Service to April 2009  | 50%        | 50%        | 50%          | 50%        |
| Service post April 2009  | 50%        | 50%        | 50%          | 50%        |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., 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. In particular our Actuaries have used the rolling forward method whereby the last full pension actuarial valuation is used to estimate individual employers IAS pension liabilities. This includes using estimated pension increases as opposed to actual. We are comfortable that this approach has not resulted any material uncertainty in our pension liabilities.

The main assumptions of each pension scheme valuation are detailed below:

|  | 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)                             | 116,713                | 107,915                | 916,157                | 831,171                |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 112,456                | 111,997                | 874,608                | 870,596                |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 114,425                | 110,073                | 886,328                | 859,135                |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 109,833                | 114,672                | 857,046                | 888,464                |

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          |               |
|---------------------|---------------|---------------|
|                     | 31/03/21      | 31/03/22      |
|                     | £000          | £000          |
| Equities            | 46,271        | 49,218        |
| Bonds               | 5,422         | 5,547         |
| Property            | 5,155         | 6,723         |
| Cash                | 1,842         | 2,080         |
| Alternative assets  | 8,407         | 10,130        |
| Other managed funds | 6,049         | 8,274         |
|                     | <b>73,146</b> | <b>81,972</b> |

## 27.6 Pensions Reserve

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

|  | LGPS          |               | Firefighters   |                |
|--|---------------|---------------|----------------|----------------|
|  | 2020/21       | 2021/22       | 2020/21        | 2021/22        |
|  | £000          | £000          | £000           | £000           |
| <b>Opening balance:</b>                              | 26,034        | 38,242        | 715,009        | 886,891        |
| Current service cost                                 | 5,511         | 6,216         | 15,980         | 18,171         |
| Interest cost  | 1,677         | 2,219         | 16,550         | 17,500         |
| Changes in assumptions                               | 24,955        | (6,984)       | 155,035        | (27,474)       |
| Experience loss/(gain) on defined benefit obligation | (988)         | 224           | 5,942          | 1,386          |
| Liabilities assumed on settlements                   | -             | -             | -              | -              |
| Past service cost, including curtailments            | 152           | 92            | 244            | 250            |
| Contributions by employer including unfunded         | (2,755)       | (2,773)       | (21,869)       | (24,128)       |
| Interest on assets                                   | (958)         | (1,481)       | -              | -              |
| Return on assets less interest                       | (15,427)      | (5,537)       | -              | -              |
| Other actuarial gains/(losses)                       | -             | -             | -              | -              |
| Administration expenses                              | 41            | 35            | -              | -              |
| Settlement prices received                           | -             | -             | -              | -              |
| <b>Balance at 31 March</b>                           | <b>38,242</b> | <b>30,253</b> | <b>886,891</b> | <b>872,596</b> |

There is a difference between the Firefighters' pension liability on the Balance Sheet and these tables as the above do not include accumulated movements for ill health £396k (£448k in 2020/21).

## Firefighters' Pension Fund Account

Year Ended 31 March 2022

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Contributions receivable</b>  |                 |
|                 | from employer  |                 |
| (7,826)         | normal contributions   | (7,888)         |
| (195)           | early retirements  | (157)           |
| (3,475)         | from members   | (3,587)         |
|                 | <b>Transfers in</b>  |                 |
| (61)            | individual transfers in from other schemes   | (223)           |
|                 | <b>Benefits payable</b>  |                 |
| 19,969          | pensions   | 20,609          |
| 3,614           | commutations and lump sum retirement benefits                                      | 5,387           |
|                 | <b>Payments to and on account of leavers</b>                                       |                 |
| 52              | individual transfers out to other schemes  | -               |
| 12,078          | <b>Deficit for the year before top-up grant receivable from central government</b> | 14,141          |
| (12,078)        | Top up grant payable by sponsoring department                                      | (14,141)        |
| -               | <b>Net amount payable for the year</b>   | -               |

The Authority contracts with Essex Pension Fund for the administration of the Firefighters' Pension Fund. A separate ledger account is maintained for the Firefighters' Pension Fund, which is balanced to nil each year by the receipt of a top up grant from central Government.

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2021.

## Firefighters' Pension Fund Net Assets Statement

The statement below identifies the Firefighters' Pension Fund assets and liabilities that are included in the Authority's Balance Sheet.

As at 31 March 2022

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Net current assets and liabilities</b>                 |                 |
| (2,157)         | Top up payable to/(receivable from) sponsoring department | (3,500)         |
| 2,157           | Amount owing to general Fund                              | 3,500           |
| -               |   | -               |

## Glossary Of Terms

### 1. 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.

### 2. Assets held for sale

Property, Plant and Equipment assets that the Authority is formally committed to sell and is actively marketing them in their current condition and where sale is expected within the next 12 months.

### 3. 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.

### 4. Collection fund

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

### 5. 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.

### 6. 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.

### 7. 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.

### 8. 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.

### 9. 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.

### 10. 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.

### 11. 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.

## 12. 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.

## 13. Impairment

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

## 14. 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.

## 15. 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.

## 16. 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.

## 17. 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.

## 18. Precept

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

## 19. 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.

## 20. 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.

## 21. 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.

## 22. Revenue expenditure

The day-to-day expenses of providing services.

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| <b>76</b>   | 13          | Assets held for sale  |
| <b>76</b>   | 14          | Creditors   |
| <b>76</b>   | 15          | Grants received in advance  |
| <b>76</b>   | 16          | Provisions  |
| <b>77</b>   | 17          | Usable reserves   |
| <b>77</b>   | 18          | Unusable reserves   |
| <b>80</b>   | 19          | Governance expenses   |
| <b>80</b>   | 20          | Officers' remuneration  |
| <b>81</b>   | 21          | External audit costs  |
| <b>82</b>   | 22          | Grants and operational income   |
| <b>82</b>   | 23          | Related parties   |
| <b>84</b>   | 24          | Capital expenditure and capital financing   |
| <b>84</b>   | 25          | Operating leases  |
| <b>85</b>   | 26          | Redundancy and early retirement costs   |
| <b>85</b>   | 27          | Pensions  |