



ESSEX POLICE, FIRE AND CRIME
COMMISSIONER FIRE AND RESCUE
AUTHORITY

2019/20 ACCOUNTS

Unaudited 1 July 2020

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NARRATIVE REPORT

BY THE CHIEF FINANCE OFFICER

1 Introduction

The Authority's financial performance for the year ended 31 March 2020 is as set out in the Comprehensive Income & Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting United Kingdom 2019/20. It is the purpose of this report to explain, in an easily understandable way, the financial facts in relation to the Authority.

2 The governance role of the Fire Authority

Roger Hirst was appointed as the country's first Police, Fire and Crime Commissioner on 1st October 2017. During the year the Service has strengthened its financial position, developed our ability to manage risk and designed a challenging and ambitious new strategy for the Service, the Fire and Rescue plan. This is available at:

<http://www.essex.pfcc.police.uk/wp-content/uploads/2019/02/ECFRS-Fire-and-rescue-plan-190228-WEB.pdf>

Full details of governance arrangements are set out in the governance statement below.

3 Review of the year - Chief Fire Officer/Chief Executive - Jo Turton

I am delighted to share with you Essex County Fire and Rescue Service's Statement of Accounts 2019/20. This report has been developed to help our public understand our Service, and how we manage our budgets and spend our money.

As an organisation, we have been through some major changes in the last few years, but one thing that has remained constant is the passion and professionalism that our staff and volunteers display.

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.

But none of this can be achieved if we don't have the right financial support, or manage our budgets 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 the key areas that help drive change, reduce risk and ensure that we can continue to provide a first-class emergency response service.

We're there when you need us

Essex County Fire and Rescue Service (ECFRS) attended 15,033 incidents from April 2019 to March 2020; that's down from 15,513 the previous year, with the total number of incidents attended by the Service decreasing consistently over the last four years.

Although over the last decade the number of fires has significantly reduced across Essex, we need to continue to understand the ever-changing risk picture. As the risks, demands and

needs of our diverse communities change, our Service needs to develop and evolve, responding to these new challenges by being innovative and adaptable in keeping the people of Essex – including our own staff – safe from harm.

Our performance data highlights August 2019 as our busiest month, as the Service attended 1,612 incidents, with both July and September 2019 also seeing us attend a high number of incidents. This is a typical trend for us, along with other fire and rescue services, where the summer period sees the most incidents. This is due to outdoor barbecues, garden bonfires, and also grass field fires – or wild fires – as a result of the hot and dry summer. Wildfires typically require a lot of fire engines to attend the incident, which has an impact on the cost and resources needed from our Service.

There were 4,580 fires attended by ECFRS in 2019/2020, that's the lowest number attended per year since 2016/2017. Of course, our work focuses on more than just responding to fires; we want to prevent them from happening in the first place. We are passionate and committed to ensuring the people of Essex get the best possible fire and rescue service – it's what our public expect and deserve. This means we need a service that continues to drive down the number of incidents, has effective and efficient prevention, protection and response activities in place, works well within communities and with its partners and is transparent, open and accessible, as well as being a great place to work.

Keeping our residents safe and well

When I meet people and speak about our organisation, I find that sometimes they can be surprised that our role as a fire and rescue service is more than putting out fires. We are a Service that is also focused on preventing fires and harm from happening in the first place; and that takes continuous improvement and work behind the scenes.

Our staff and volunteers undertake Home Safety and Safe and Well visits across Essex, reaching and engaging with those most vulnerable to fire in our communities.

The vast majority of home safety visits in 2019/2020 were with people aged 65 and over . We also conducted over 3,000 visits to people that live alone or have a disability. Reaching these communities is an incredibly important part of the work and service that we deliver, as we know that these people are at the highest risk of dying in a fire.

We know that safe children become safe adults, and that's why our community safety work focuses on reaching and engaging with children across the county. In 2019/2020, our education team engaged with 191,401 children across Essex. Additionally, our bespoke Firebreak courses – targeted intervention programmes for people aged 10-12, 13-17 and 18 onwards - aims to promote a culture of safety by providing a range of vital and transferable life skills. In 2019/20, 87% of the 269 participants completed the courses.

HMICFRS

In 2019 we were inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue (HMICFRS) – a first for all fire and rescue services across the country. We went into it with an open and positive mind-set, welcoming the process and seeing it as a helpful addition to our existing improvement and transformation programme.

For us, there were no surprises in the Inspectorate's findings; the feedback echoes what we told the inspectorate, and reassures us that we are self-aware and that our focus is in the right areas.

The Inspectorate recognised the Service is good at responding to fires and emergencies and responding to national risks; a reflection of our hard work. They noted that we were good at:

- Responding to fires and other emergencies
- Responding to national risks
- Making the fire and rescue service affordable now and in the future
- Managing performance and developing leaders

The report also highlighted where we still have more to do, in particular around protection, especially technical fire safety, prevention and above all getting the culture of the Service to where it needs to be, including better recruitment and retention of our on-call firefighters. These are areas where the Service is already taking actions to address.

We will continue to invest in these areas that require improvement, and these areas are already recognised as priorities within our Fire and Rescue Plan.

Our people make our Service

From a record number of nominations submitted for our staff People Awards, to celebrations of 50 years and 45 years in service – our people are our greatest asset, and they've continued to shine in this last year.

Over the last year we have welcomed new staff across our Service, including new wholetime firefighter squads, Deputy Chief Fire Officer, Corporate Services Director and Chief Financial Officer (Section 151). We know that new staff bring with them different experiences and a fresh outlook, and it's fantastic that we continue to attract high calibre individuals. We've also introduced some new roles to support our Service priorities, including our Assistant Chief Executive of People, Culture and Values, as well as four On-Call Liaison Officers.

Our objective is to have a safe and diverse workforce who we enable to perform well in a supportive culture underpinned by excellent training. We do that so we have a modern, forward looking, innovative and collaborative culture that can anticipate and deliver against the changing needs of our communities so that our communities get the best possible service.

In 2019 we ran a listening exercise for all of our people, this was called 'Everyone Matters'. What we heard from Everyone Matters informs how we lead our Service - developing our culture one conversation at a time. This feedback was invaluable in influencing the content of our People Strategy 2020-2024.

Medium Term Financial Plan

Our medium term financial plan (MTFP) 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 2020-24 MTFP was published in the financial year of 2019/20, and seeks to deliver against our financial challenges and save £4.3m over this term, while ensuring we have sufficient financial resources that can be invested into areas we we have identified as our priorities.

You can read more, and read our MTFP here: https://www.essex-fire.gov.uk/documents/Medium_Term_Financial_Plan_2020-24

COVID 19

And finally, as I write this, we're in a global pandemic, that has affected each and every one of us in some way. I am incredibly proud of our response to this as a Service. We have been united in kind, and have adapted, responded and volunteered, helping to keep our residents safe and informed.

Throughout the pandemic, we have continued to provide a full emergency fire and rescue service response for our public and fulfil our duties under the Fire and Rescue Services Act 2004. In addition to delivering our responsibilities to respond to risk within our communities through our prevention and legislative fire safety functions, we made sure our staff were provided with the PPE and equipment to enable them to undertake their duties safely, We also made sure our duty to secure water supplies for the use of firefighting was maintained. Our priorities have been to help stop the spread of this virus with the support of our public sector and emergency service partners, protect our public, our colleagues and safeguard our resilience.

Though the situation involving coronavirus (COVID-19) is unprecedented, ECFRS has a robust operational and business continuity plan which we regularly update and test, so that in events such as this, we are prepared and confident in meeting these challenges. Because of this we have maintained a good level of service, despite the challenges that Covid-19 has and continues to present.

As always, ECFRS is working hard to maintain communication and engagement with the public. While it has been necessary to postpone events such as car washes and station visits, we have continued to deliver safety messages and updates through our website, social media channels and via local media.

We changed the way we carried out our home fire safety and safe and well visits, prioritising them for people who are particularly vulnerable to the risk of fire. During that time we continued to provide home safety advice over the phone, deliver smoke alarms and fitting instructions where needed and ensured more staff than ever were available to reassure, educate and advise anyone who needs this information. In terms of business safety, we have a legal duty to enforce the regulatory reform fire safety order, and have done this the best we can in this situation.

As this situation developed, and more people were staying at home, we saw an increase in garden and outdoor fires. In fact, in March 2020 outdoor fires doubled in Essex, and house fires were also higher than the same time the previous year. We responded to this and increased our safety messaging around these types of incidents, and we were keen to embrace new ways of engaging with our public. Our staff recorded selfie-style home fire safety videos that we then used on social media.

Our most recent wholetime firefighter recruitment has seen our squad complete their training despite the difficulties that have arisen during these unique and unprecedented times, and their trainers have been full of praise for the squad's professionalism, adaptability, hard work and dedication during the pandemic.

In response to the Covid-19 pandemic, colleagues offered to give their time during evenings and weekends, volunteering to help move hospital beds between Braintree, Brentwood and Thurrock community care hospitals. Additionally, our staff delivered food and medicine to

those residents who were vulnerable and self-isolating. Others have given up their Saturday mornings to litter pick at beaches so families can enjoy the county's coastlines.

This is in addition to our Service's work with the East of England Ambulance Service Trust, which has seen 19 of our on-call firefighters driving ambulances, and our Service driving instructors training 27 student paramedics and army volunteers to drive ambulances.

4 The Statement of Accounts

This Statement of Accounts explains the Authority's finances during the financial year 2019/20 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 2019/20 comprise:

4.1 Comprehensive Income and Expenditure Statement

This statement, as set out on page 38, shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation. Authorities receive government grants and raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the two positions is shown in the Movement in Reserves Statement.

4.2 Movement in Reserves Statement

This Statement, as set out on page 39, shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The statement also shows the change in the general fund balance and the discretionary transfers that are undertaken to or from earmarked reserves.

4.3 Balance Sheet

The Balance Sheet, as set out on page 40, shows the value at the end of the year of the assets and liabilities recognised by the Authority. The net liabilities of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

At the year end the Authority had **£138.4m** of long term assets, mainly comprising fire stations, offices, workshops and fire appliances. These are funded by **£24.5m** of long term loans. The Authority's general reserve stood at **£8.1m** and the earmarked reserves increased by **£0.2m** to **£5.9m**.

4.4 Cash Flow Statement

The Cash Flow Statement, as set out on page 41, shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

5 Firefighters' Pension Fund

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

5.1 Firefighters' Pension Fund Account

The statement as set out on page 81 summarises the Firefighters' Pension Fund financial transactions for the year.

During the year 33 wholetime firefighters retired from the Service. As a result the payment of lump sums was **£5.1m** in 2019/20 compared to **£3.9m** in 2018/19. The amount due from the Department for Communities and Local Government was **£5.1m** at 31 March 2020.

5.2 Firefighters' Pension Fund Net Assets Statement

This statement as set out on page 81 summarises the net assets relating to the provision of pensions and other benefits payable. Further information is provided in the Notes to the Pension Fund Account.

6 Revenue Budget and Expenditure

In 2019/20 the Authority's total planned net expenditure was **£74.1m**. The end of year position is set out within the following table which compares actual net expenditure with the approved budget.

66% of the net expenditure of the Authority is funded by Council Tax, payable by householders in Essex, Southend-on-Sea and Thurrock. The balance of funding is provided by central government, through a share of non-domestic rates and revenue support grant. Specific grants provided by the government, for example to support the Authority's Urban Search and Rescue unit are included in operational income.

2018/19		2019/20		
Actual		Latest	Actual	Variance
£000	Net Revenue Expenditure	Approved Budget	£000	overspend/underspend
£000		£000	£000	£000
30,037	Firefighters	34,251	33,308	(943)
5,636	On call firefighters	6,692	6,782	90
1,422	Control staff	1,438	1,365	(73)
13,330	Support staff	13,914	14,176	262
50,425	Total Employment Costs	56,295	55,631	(664)
2,010	Support costs	2,196	2,336	140
10,250	Premises & Equipment	10,717	10,163	(554)
3,248	Other costs & services	3,443	3,248	(195)
2,320	Ill health pension costs	2,250	2,261	11
1,380	Lease and interest charges	1,393	1,301	(92)
4,973	Revenue provision for Capital Financing	5,100	4,781	(319)
24,181	Total Other Costs	25,099	24,090	(1,009)
74,606	Total Gross Expenditure	81,394	79,721	(1,673)
(4,239)	Operational Income	(7,305)	(8,378)	(1,073)
70,367	Total net expenditure outturn	74,089	71,343	(2,746)
Funding				
9,347	Revenue Support Grant	8,337	8,337	-
16,697	Non Domestic Rates	16,196	16,569	373
702	Council Tax Collection Account	643	643	-
44,079	Council Tax Precepts	46,233	45,695	(538)
213	Collection Fund Adjustment Account	-	731	731
(671)	Contribution (to)/from Reserves	2,680	(632)	(3,312)
70,367	Total Funding	74,089	71,343	(2,746)

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

Overall employment costs were £0.7m under budget for the year. The Authority continued to process the recruitment of whole time firefighters and during the financial year a cohort of 47 whole time firefighters joined the service.

The underspend on premises and equipment is due to two main factors. Property and building maintenance is underspent by £251k as some works have been rescheduled. Information technology costs are £272K underspent, this is mainly as a result of supply delays for a significant ICT project.

Revenue provision for capital financing (MRP) costs are underspent by £319k, this is as a direct result of the underspend on capital expenditure shown in the table below.

Operational income was £8,378k in the year which was £1,073k better than budget. The main reasons for this gain were, business rates relief support from central government (£408K), shared services income from Essex Police for collaboration projects (£80k) and an initial grant from government to cover the financial impact of the Covid 19 pandemic (290k). As the impact of Covid 19 was very late in the financial year £262k of this grant has been carried forward into 2020-21 as an earmarked reserve.

The funding gain of £373k on non-domestic rates is the Authority's share of additional business rates collection from a pooling agreement with Essex County Council and local district councils in Essex.

Net expenditure charged to the revenue account was £71.3m in the year, due to a number of technical accounting adjustments this figure is different from the cost of the provision of fire services, £66.9m, shown in the Comprehensive Income and Expenditure Account (page 38). A reconciliation between the two figures is given below;

Reconciliation to the Provision of Fire Services per the Comprehensive Income & Expenditure Statement	2019/20 £000
Total Net Expenditure per Service Revenue Account as above	71,343
Depreciation	4,882
Impairment	224
IAS19 Pension adjustment	(3,615)
Add Amounts not reported to management	1,491
Interest payments	(1,210)
Interest and investment income	100
Capital Financing Provision	(4,781)
Remove amounts not included in the Provision of Fire Services in the Comprehensive Income and Expenditure Statement	(5,891)
Provision of Fire Services per Comprehensive Income & Expenditure Statement	66,943

7 Capital expenditure

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

2019/20	Approved Capital Expenditure £000	Actual Capital Expenditure £000	Variance overspent / (underspent) £000
Property	2,600	1,193	(1,407)
Vehicles	1,480	863	(617)
Information Systems & Equipment	1,810	741	(1,069)
Total capital payments	5,890	2,797	(3,093)
Internal Resources	5,890	2,797	(3,093)
Total capital funding	5,890	2,797	(3,093)

We invested **£1.2m** in our property portfolio mainly on fire stations and training facilities. The main project was **£0.4m** on the refurbishment of Ongar Fire Station.

In addition there was spend of **£0.7m** on ICT and operational equipment and **£0.9m** on vehicles, which included **£0.7m** invested on 4 specialist off road vehicles.

At 31 March 2020 the Authority had capital expenditure commitments of **£0.4m**.

8 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Chief Finance Officer on 30th June 2020. There are no events after 31 March 2020 that need to be reflected in the financial statements or notes.

9 Borrowing

The Authority undertakes long term borrowing, for periods in excess of one year, in order to finance its capital spending. During the year the Authority repaid a loan of **£2.5m**, leaving the total loans at year end at **£24.5m** (£24.5m 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.

10 EFA (Trading) Limited

The trading activities of the Authority were undertaken by a wholly owned subsidiary company EFA (Trading) Limited. The business of the company is to sell training and engineering services.

The company employs no staff directly; it operates using staff recharged by the Authority. Group accounts for the combined entities have not been prepared because the net income, expenditure, assets and liabilities of the company would not have a material impact on the results reported. The Trading Company made a small profit of **£13k** for the year to 31 March 2020. The Authority has provided a letter of support in respect of the Trading Company.

11 Risk Protection

Until 31 October 2015 insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Essex, are now members of the Fire and Rescue Indemnity Company Ltd. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of **£508k** to the company for the year to 31 October 2020 with **£212k** of this treated as an expense in 2019/20.

12 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 2019/20.

13 Financial Climate and impact on Services

The Authority previously accepted the Governments offer of guaranteed financial settlements to 2019/20. The finance settlement for 2019/20 issued on 6th February 2019 was therefore in line with expectations. The Authority took advantage of the flexibility given in the finance settlement to increase Council Tax up to the referendum limit of 3% local authorities.

14 Budget 2020-21

The Authority adopts a prudent approach to budgeting and seeks to set a budget that is both affordable and sustainable over the medium term. The budget for 2020/21 was approved by the Authority in February 2020 and reflects an increase in the total budget from **£74.1m** (2019/20) to **£74.9m** (2020/21).

The budget for 2020/21 is available at:

<https://cmis.essex.gov.uk/essexcmis5/CalendarofMeetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/4513/Committee/127/SelectedTab/Documents/Default.aspx>

15 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.

16 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/>

17 Employees

As at 31 March 2020 the Authority employs 1,499 people comprising 643 wholetime and 511 on call firefighters, 34 control staff and 311 support staff. We aim to ensure that our employment policies reflect best practice.

18 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/>

19 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/>

20 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.pnn.police.uk.

21 Glossary

A glossary of accounting terms is provided on pages 83 to 89 to assist the reader.

22 Further information

Further information about the Authority's accounts is available from the Chief Finance Officer 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*).

Neil Cross
Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue
Authority
1 July 2020

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police, Fire and Crime Commissioner's responsibilities

The Police, Fire and Crime Commissioner is required to:

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

The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

The Chief Finance Officer's certificate

I certify that the Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code and present a true and fair view of the financial position of the Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Neil Cross
Chief Finance Officer to Essex Police, Fire and Crime Commissioner Fire and Rescue
Authority
1 July 2020

GOVERNANCE STATEMENT

Introduction

The Policing and Crime Act 2017 enabled Police and Crime Commissioners to become responsible for the governance of fire and rescue authorities, subject to the approval of a business case by the Home Secretary. 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. 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”) 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 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 this overall responsibility, 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, and with the Deputy Chief Fire Officer in their absence, 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.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values for the control and management of all activities and how 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.

A key element of the governance framework and the system of internal control is the PFCC FRA’s Constitution. During the 2019/20 financial year, the Constitution has been subject to its

first fundamental review since its adoption in October 2017, to ensure full compliance with the Fire and Rescue Services Act 2004; the Fire and Rescue National Framework for England; the Police Reform and Social Responsibility Act 2011, and the Police, Fire and Crime Commissioner (Fire and Rescue Authority) Order 2017. The updated Constitution was thoroughly consulted on with the Fire and Rescue Strategic Board, the Deputy Chief Fire Officer (in the absence of the Chief Fire Officer) and the Essex Police, Fire and Crime Panel.

The Governance Framework

The Scheme of Governance that operated during the year included the following:

- The Constitution which, as referenced above, has been subject to a fundamental review and refresh during the 2019/20 financial year.
- The Scheme of Delegation, has also been reviewed and updated during the 2019/20 financial year as part of the overarching review of the Constitution.
- The Elected Local Policing Bodies (Specified Information) Order 2011; the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012, and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2013. Quarterly audits are undertaken by the PFCC's office to ensure the Service's continued compliance with these Orders.
- Information Management Protocol between the PFCC FRA and the PFCC. Again, this has been subject to a review and refresh during the 2019/20 financial year as part of the overarching review of the Constitution.
- Information Sharing Protocol relating to information shared between the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority and the Essex Police, Fire and Crime Panel. This has likewise been reviewed and updated during the 2019/20 financial year by the Monitoring Officers to the PFCC FRA and the Panel, and consulted on as part of that review process with the PFCC's Fire and Rescue Strategic Board and the Police, Fire and Crime Panel.
- Revised Financial Management Code of Practice For the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004
- Codes of Conduct applying respectively to the PFCC and their Deputy and to the PFCC FRA's staff
- The Police, Fire and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
- Government Security Classifications
- Financial and Procurement Regulations, which have been thoroughly reviewed and updated during the 2019/20 financial year by the Service's new Chief Financial Officer and its Monitoring Officer as part of the overarching review of the Constitution.

Copies of these documents are available on the Commissioner's website at www.essex.pfcc.police.uk or can be obtained from the Commissioner's office at Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

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

Delivery of the Fire and Rescue Plan is monitored through the Commissioner's governance boards and reported to the Essex Police, Fire and Crime Panel. A series of "deep dive" reviews has also been scheduled to enable the Commissioner and their staff to take a more detailed look at the delivery of each of the priorities and any impediments to this. During the 2019/20 financial year, the Service has commenced the process of realigning its performance measures and reporting with the Fire and Rescue Plan. This work has been completed for the highest levels of reporting and will continue into 2020/21 to ensure that this principal is embedded throughout all of the Service's strategic and operational performance management arrangements.

External Oversight

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)

In July 2017, HMIC became HMICFRS and took on responsibility for inspecting fire and rescue services across England. Prior to this, fire and rescue services were inspected by the Fire Service Inspectorate (until 2005), then the Audit Commission (until 2008/09). The new inspection framework focuses on the services provided to the public and the way in which FRs use the resources available to them. In carrying out its inspections, HMICFRS answers three main questions:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How well does the fire and rescue service look after its people?

Following its inspection in July 2019, HMICFRS published its report into ECFRS's efficiency, effectiveness and how well it looks after its people in December 2019. ECFRS was graded as requiring improvement across each of the three "pillars" of the inspection framework. Within this, the Inspectorate graded the Service as good in the sub-categories of:

- Responding to fires and other emergencies
- Responding to national risks
- Making the fire and rescue service affordable now and in the future
- Managing performance and developing leaders

However the Inspectorate also found evidence that some staff had been subjected to bullying behaviour and that there was a lack of understanding amongst some staff of the value of diversity in the workplace. This led the Inspectorate to grade the service as inadequate in relation to the sub-category of promoting values and culture. It also identified two "causes for concern" relating to promoting values and culture and protecting the public through fire regulation.

The Inspectorate recognised the legacy issues that the current Chief Fire Officer / Chief Executive inherited with regards to culture and acknowledged the improvements that had been made and were in progress, but equally that there was still much work to be done and that it would take time to achieve the cultural change needed. The Inspectorate further noted that there

was a clear commitment from both the Commissioner and the Chief Fire Officer / Chief Executive to bring about this change and welcomed the investment and work that had begun and was planned in this area. These include the investment in the creation of an Assistant Chief Executive post for People, Values and Culture; Dignity in the Workplace sessions for staff, and the investment in a listening exercise with staff through a programme entitled “Everyone Matters”.

With regards to protecting the public through fire regulation, the inspection team revisited the Service In November 2019 and was encouraged by the progress made in addressing its concerns, and particularly the recruitment of additional fire safety officers the enable the Service to build capacity to inspect more high risk premises and place the Service in a better position to respond to additional pressures that may result from the Grenfell Tower Enquiry. A full action plan has been developed in response to the report and progress in delivering this is monitored through the Commissioner’s Performance and Resources Board.

The Police, Fire and Crime Panel

The Police Reform and Social Responsibility Act 2011 introduced the responsibility for local authorities to create a Police and Crime Panel. The Policing and Crime Act 2017 amended section 28 (Powers of Police and Crime Panels) to include the responsibilities of the new Police, Fire and Crime Commissioner Fire and Rescue Authority.

The Panel is made up of local elected councillors from each district and unitary authority in Essex and two independent members with the responsibility to scrutinise and support the work of the Police, Fire and Crime Commissioner. The functions of the Panel with regard to the fire and rescue service are:

- a) Scrutiny of the Fire and Rescue Plan.
- b) Scrutiny of the Fire and Rescue Statement.
- c) Scrutiny of the appointment of a Deputy PFCC, the PFCC’s Chief Executive and the PFCC’s Section 151 Officer.
- d) Scrutiny of the appointment of the PFCC FRA’s Chief Financial Officer.
- e) Scrutiny of the appointment and dismissal of the Chief Fire Officer, with the power to veto the appointment.
- f) To review the precept which the PFCC is proposing to issue for each financial year, with the power to veto the precept.
- g) To deal with certain complaints against the PFCC or Deputy PFCC.

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

During 2018/19 the Monitoring Officer to the Panel commenced consultation with the constituent authorities on updated Terms of Reference and an updated Constitution for the Panel, which were adopted by the Panel on 23 May 2019.

Panel meetings are open to the public and records of its meetings (including audio recordings) are available via Essex County Council’s website.

The Commissioner’s Governance Arrangements

To ensure the effective administration of the Authority, a number of Boards have been created to provide advice and recommendations to the Commissioner. They 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 reported to the Police, Fire and Crime Panel and published on the Commissioner’s website.

Fire and Rescue Strategic Board

The Board has been established to enable the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (“the Commissioner”) to:

- Provide governance and oversight of delivery of the Fire and Rescue Plan and Integrated Risk Management Plan (IRMP).
- Support alignment of the activities of the Essex County Fire and Rescue Service with the Essex Vision, Essex Emergency Services Collaboration Vision and other public sector transformation and collaboration programmes across greater Essex.
- Recommend to the Commissioner any collaboration agreements considered to be in the interests of the efficiency or effectiveness of one or more fire and rescue services, taking into account the existing collaboration agreements and other arrangements for co-operation to which the parties under consideration are committed; the desirability of the parties under consideration taking a consistent approach in making such agreements and other arrangements, and the opportunities available to the parties under consideration to make such agreements and other arrangements.
- Be the primary advisor to the Commissioner on the Integrated Risk Management Plan
- Provide strategic oversight of the Medium Term Financial Plan and recommend to the Commissioner the use of the Service’s reserves.
- Recommend to the Commissioner the annual budget for the Service and the annual Council Tax precept relating to the fire and rescue service to be recommended to the Essex Police, Fire and Crime Panel.
- Approve in principle and provide strategic oversight of the other key policies and strategies governing the work of the Fire and Rescue Service, including agreeing the Fire and Rescue Plan to be recommended to the Essex Police, Fire and Crime Panel and agreeing in principle the Integrated Risk Management Plan (IRMP) prior to formal approval by the Commissioner.
- Provide strategic oversight of the capital programme, receiving reports from the Assets Sub-Group as required.
- Approve as appropriate the progression of project bid proposals recommended to the Commissioner.
- Agree in principle the annual Strategic Assessment of Risk (subject to formal approval by the Commissioner) and advise on the management of strategic risks facing the Essex County Fire and Rescue Service.
- Agree the annual Statement of Assurance to be recommended to the Essex Police, Fire and Crime Panel.
- Provide strategic oversight of operation of and benefits delivered by, and receive an annual report from, EFA (Trading) Ltd.
- Receive additional reports from the Essex County Fire and Rescue Service’s Senior Leadership Team (SLT) and its sub-boards as appropriate.
- Commission additional reports via the Chief Fire Officer / Chief Executive as appropriate.

In response to the findings of an internal audit of the transitional governance arrangements put in place when the Commissioner took on joint governance of police and fire and rescue services, the Terms of Reference of the Strategic Board were reviewed and updated Terms of Reference agreed in June 2019.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner’s website.

Audit Committee

The Audit Committee has been established to maintain an overview of the contract procedure rules, financial regulations, Code of Conduct and behaviour and to provide independent assurance to the Commissioner in accordance with the Financial Management Code of Practice. The role of the Committee is to advise the Commissioner according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices and the associated control environment, as well as to oversee the financial reporting process. Over the course of the year, the Committee has sought assurance over the adequacy of the following:

- a) The risk management and the internal control framework operated by the Chief Fire Officer.
- b) The effectiveness of the governance arrangements.
- c) The appointment, support and quality of the work of internal and external auditors as they provide assurance on risk management, internal controls and the annual accounts through their work.
- d) Financial and non-financial performance to the extent that it affects exposure to risk, weakens the control environment and undermines their ability to provide good value for money.
- e) The financial reporting process.

Although having separate Terms of Reference and meetings for fire and rescue, the independent members appointed by the Commissioner sit on both the Audit Committees for the Police, Fire and Crime Commissioner Fire and Rescue Authority and for the policing body.

The Audit Committee meets formally at least four times a year to support the Commissioner in ensuring public trust and confidence in the governance of the fire and rescue service. Between meetings, the Commissioner's s151 Officers, Monitoring Officer and Internal Auditors, along with a representative from External Audit, have free and confidential access to the Chair of the Committee.

During the 2019/20 financial year, a review of the Committee's effectiveness has been instigated, commencing with a self-assessment undertaken by Committee members. This work will be finalised and any resulting actions or improvements implemented during 2020/21.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner's website.

Fire and Rescue Performance and Resources Board

The purpose of the Board is to enable the Commissioner to review Essex County Fire and Rescue Service's performance, ensure that budgeted resources (both human and financial) are closely aligned with fire and rescue priorities and to ensure that resources are effectively and efficiently being utilised. The Board meets monthly to:

- a) Scrutinise, support and challenge 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.
- b) Support the Commissioner in holding the Chief Fire Officer / Chief Executive to account for the exercise of functions which are delegated to them as well as the exercise of functions of persons under the direction and control of the Chief Fire Officer / Chief Executive.
- c) Advise the Commissioner on actions to be taken to maintain an efficient, effective and economic fire and rescue service for Essex.

- d) Identify and consider different themes / “deep dives” for scrutiny, challenge and support.
- e) Provide governance and oversight of the delivery of the Medium Term Financial Plan. Monitor actual revenue spend against budget, and the forecast outturn advising corrective action where appropriate in order to further advance the priorities of the service.
- f) Agree and oversee implementation of the service’s Treasury Management Strategy.
- g) Monitor actual and forecast capital expenditure and resourcing of against the approved capital programme, advising the Strategic Board on progress achieved.
- h) Monitor the use of the service’s reserves.
- i) Monitor the progress made in delivering planned transformation and efficiency savings.
- j) Provide governance and oversight of key workforce transformation initiatives, including recruitment and retention initiatives, on-call development and mixed crewing.
- k) Monitor workforce composition and demographics and champion initiatives to increase workforce diversity.
- l) Monitor customer and employee satisfaction survey results and the actions to be taken in response.
- m) Monitor and take steps to improve compliance with key people management processes, such as operational training and annual performance appraisals.
- n) Oversee the development and implementation of the Service Improvement Plan, taking account of recommendations arising from HMICFRS inspections, peer reviews and other external reviews and reports (both local and national).
- o) Monitor complaints and compliments made to the Essex County Fire and Rescue Service, and the learning arising from these, on a quarterly basis.
- p) Review papers to be submitted to the Essex Police, Fire and Crime Panel and the Joint Audit Committee, other than those approved by the Strategic Board.
- q) Identify areas of commissioning that would assist in delivering the Fire and Rescue Plan.
- r) Receive additional reports from the Essex County Fire and Rescue Service’s Senior Leadership Team (SLT) and its sub-boards as appropriate.
- s) Commission additional reports via the Chief Fire Officer / Chief Executive as appropriate.

In response to the findings of an internal audit of the transitional governance arrangements put in place when the Commissioner took on joint governance of police and fire and rescue services, the Terms of Reference of the Performance and Resources Board were reviewed and updated in June 2019. Further slight changes to the membership were agreed in February 2020 as part of the overarching review of the Constitution referred to elsewhere in this document.

The papers and minutes of these meetings (with the exception of those that are restricted under paragraphs 1 and 4 of Part I of Schedule 12A of the Local Government Act 1972) are publicised on the Commissioner’s website.

Essex Emergency Services Collaboration Strategic Governance Board

The Local Business Case developed by the Commissioner and approved by the Home Secretary describes the collaboration vision and agenda in Essex and informs the development and delivery of various strategic and tactical projects in support of the same. The Essex Emergency Services Collaboration Strategic Governance Board has been established to consider collaborative opportunities between Essex Police, Essex County Fire and Rescue Service and other blue light partners such as the East of England Ambulance Service. It enables the Police, Fire and Crime Commissioner and other agency leads to:

- Provide collective ownership, strategic governance and oversight of the Emergency Services Collaboration Programme, including in relation to finance and resourcing decisions.
- Maximise the effectiveness and efficiency of police, fire and rescue and ambulance services within Essex through a programme of strategic and operational collaboration.

- Review business cases relating to potential emergency services collaboration projects and provide recommendations to the Commissions as to whether these should be progressed, taking into account existing collaboration agreements and other arrangements for co-operation as well as the desirability of the respective parties taking a consistent approach.
- Provide oversight and management of strategic risks relating to the Essex Emergency Services Collaboration Programme.

In response to the findings of an internal audit of the transitional governance arrangements put in place when the Commissioner took on joint governance of police and fire and rescue services, the Terms of Reference of the Essex Emergency Services Collaboration Strategic Governance Board were reviewed and updated in July 2019.

Service-Level Governance

In line with the restructure of the Essex County Fire and Rescue Service's Senior Leadership Team (SLT), the governance structures within the Service, which support both the SLT and the Commissioner's governance boards, were revised during the 2018/19 financial year. Three new Boards (a Continuous Improvement Board, a Change Board and a People Strategy Board), each chaired by a member of the SLT and attended by a representative of the Police, Fire and Crime Commissioner, are now fully established within the governance arrangements.

Ethics and Integrity Framework

The Commissioner and Deputy Commissioner have signed up to a Code of Conduct incorporating the seven Nolan Principles set out by the Nolan Committee on Standards in Public Life as well as the Police Code of Ethics. This Code of Conduct was reviewed and updated during the 2018/19 financial year as part of a review of the wider policy and strategy framework supporting the Commissioner to discharge their functions and fulfil their statutory duties.

The Service also has clear behaviour standards set out in its Code of Conduct to assist colleagues in maintaining and understanding the standards expected. This also makes reference to the Nolan Principles. Any complaint relating to alleged actions that are inconsistent with the Code of Conduct is taken seriously and subject to a thorough investigation, with action taken as appropriate.

As part of its cultural change programme, the Essex County Fire and Rescue Service also worked with its staff to develop the following Service values setting out the behaviours expected of all staff and volunteers:

We are open honest and trustworthy – We respect and honour all we do for the Service and our colleagues, being transparent and consistent in our communications and throughout our work

We are courageous in everything we do – Having the confidence to always own our part and not be a bystander in order to progress and learn from our experiences

We work as one team – All in it together to deliver a safer Service and a safer Essex

We are always professional – We proudly stay ahead of the game by embracing training and development, continually learning, while delivering professional standards to efficiently serve our community

We value the contribution of all – We create an inclusive and non-judgemental environment that respects people as individuals and embraces diversity. We value everyone equally, create opportunities and celebrate our successes.

The Service has policies for dealing with compliments and complaints, grievances and whistleblowing. All of these have been reviewed and updated during 2019/20 as part of the Service's cultural change programme.

Adherence to the ethics and integrity framework is scrutinised by the Ethics and Integrity Sub-Committee of the Essex Police, Fire and Crime Panel.

Making Informed and Transparent Decisions

The Police, Fire and Crime Commissioner Fire and Rescue Authority's Constitution sets out how the Commissioner will work, how decisions are made and the procedures that will be followed to ensure that decision making is efficient and transparent and that the Commissioner is accountable to local people. Some of these procedures are required by law, whilst others are a matter of choice for the Commissioner. The Constitution also sets out how the Commissioner will hold the Chief Fire Officer / Chief Executive to account and is available for public reference and scrutiny on the Commissioner's website. Changes to the Constitution will only be approved by the Commissioner after consideration of a proposal by the Monitoring Officer. Before issuing or varying the Constitution, the Commissioner will also provide the draft or variation to the Police, Fire and Crime Panel; consider any report or recommendations made by the Panel in regard to it, and give the Panel a response to any such report or recommendations, which will be published.

Within the Constitution, the Commissioner has adopted the following principles of decision making:

- The presumption in favour of openness and transparency
- The need for consultation with interested parties
- The need to take account of relevant professional advice from appropriate officers
- The need for clarity of aims and desired outcomes
- The need to identify the range of options considered
- The need to give reasons and explanation for a decision
- The need to have due regard to the Government Security Classifications when considering disclosure of reports and documents supplied to the Authority by the Essex County Fire and Rescue Service

During the year, the Commissioner complied with the decision making process set out in the Constitution, which requires the oversight of all the Commissioner's statutory officers, namely the Head of Paid Service, Monitoring Officer and Chief Financial Officer. All significant decisions are taken by the Commissioner following consideration of a written report on the matter which includes consideration of risk as well as the financial and legal implications. The Decision Report template also sets out the range of alternative options considered in arriving at the decision and any governance boards that have considered and / or approved in principle the decision prior to the Decision Report being submitted to the Commissioner for sign-off.

All decisions made by the Commissioner (unless subject to security restrictions) are formally recorded and made available on the Commissioner's website for public information and scrutiny. A summary of all decisions made by the Commissioner is also provided to each meeting of the Essex Police, Fire and Crime Panel for its scrutiny.

In addition, the Constitution specifies that the exercise of any delegated authority to take a decision on behalf of the Commissioner is subject to:

- The person making the decision having first considered a written report prepared by the appropriate officer;

- Any decision taken being in accordance with the Commissioner's budget and policy framework, financial regulations and contract standing orders and any condition imposed by the law, the Constitution and any relevant statutory guidance;
- Any person with delegated authority being able to refer any matter falling within the authority delegated to him / her to the Commissioner, and
- The fact that a function has been delegated not preventing the discharge of that function by the Commissioner.

The Commissioner ensures that all information identified in the relevant Specified Information Orders is published either on the Commissioner's website and / or the Essex County Fire and Rescue Service's website. As part of this, any disclosable interests of the Commissioner and the Deputy Commissioner are visible to the public on the Commissioner's website, as are the register of gifts and hospitality (both accepted and declined) and details of the remuneration of the Commissioner, Deputy Commissioner and chief officers. Details of all expenditure over £500 is also published on the Commissioner's and / or ECFRS's website. A thorough audit of compliance with these requirements was completed by the Commissioner's office in 2018/19 and has been repeated at quarterly intervals throughout 2019/20 in order to assure the Commissioner of total adherence.

Public Accountability and Stakeholder Engagement

The Commissioner is elected by and accountable to the public. The Commissioner and Deputy Commissioner work to an annual engagement plan including regular public meetings and other engagement activities with local communities and under-represented cohorts through various forums. Such engagements give the residents of Essex and other stakeholders an opportunity to challenge the Commissioner as to how they are holding the Chief Fire Officer / Chief Executive to account for the delivery of the fire and rescue service. Often, the Commissioner and / or Deputy Commissioner are accompanied to such events by a senior officer of the Essex County Fire and Rescue Service. The notes of public meetings are published on the Commissioner's website. The Commissioner also commits to meeting at least annually with elected Members of each of the upper tier, unitary and district / borough / city councils in Essex, to update them on the Commissioner's activities and respond to any queries or concerns they may have.

The Commissioner, the Deputy Commissioner and / or the Commissioner's Chief Executive attends each Fire Service Managers Briefing to update staff on the Commissioner's activities and priorities and to respond to any questions or concerns. The Commissioner also meets at least quarterly with each of the fire and rescue service's representative bodies in order to understand and respond as appropriate to any issues they may wish to raise.

During 2019/20, extensive engagement has been carried out with residents and stakeholders to inform the development of the Integrated Risk Management Plan (IRMP). A Working Group of the Police, Fire and Crime Panel has established, supported by the Commissioner's office, the Deputy Chief Fire Officer and other staff from Essex County Fire and Rescue Service. This engagement work will continue into 2020/21, with the intention being to approve the new IRMP in June 2020.

Risk Management

Embedding strategic risk management into business planning continues to be a high priority.

ECFRS assesses its risks via the Strategic Assessment of Risk (SAOR) which, together with the Fire and Rescue Plan, informs the Service's Integrated Risk Management Plan (IRMP). National, regional, local and service-specific data is gathered from various sources to assess current and predicted gaps in the Service's core functions and respond accordingly. The Service

delivers a command, control and response framework based on national best practice in line with Joint Emergency Services Interoperability Principles (JESIP), including training, exercising, identification and assessment of foreseeable risk. It ensures resilience planning and cross border arrangements with partners and surrounding fire and rescue services. The Service also supports the use of nationally developed tools, such as Resilience Direct, to share site specific risk information with surrounding fire and rescue services and Essex Resilience Forum (ERF) members. As an active partner in the ERF, the Service is kept informed of and able to disseminate information from the National Risk Assessment and the Community Risk Register, the outputs of which are used to inform the Service's Strategic Risk Register.

The Strategic Risk Register sets out the more immediate challenges to the delivery of the Service's core functions. Several additional strategic risks and associated control measures have been implemented over the last 12 months. This helps to ensure that remedial and preventative actions are allocated, evaluated and reported to the Service Leadership Team as well as the Commissioner and Audit Committee. A separate risk register exists and is similarly reported on in respect of the collaboration programme, in order to ensure that relevant stakeholders, including the Commissioner, are adequately sighted on shared risks as well as those facing each partner when working collaboratively.

The Commissioner and the Service continue to use risk management policies and frameworks that comply with CIPFA guidance. During 2019/20, much work has been undertaken to develop the Commissioner's risk management framework. The Commissioner's Strategic Risk Register was subjected to its first wholesale review since 2016, through a process which included all PFCC staff and all JAC members. Consequently, the register has been re-focused on the Commissioner's statutory duties; on matters that they can realistically influence or control, and on the impacts and outcomes of the identified risks. The Commissioner's office has also developed and adopted a new risk appetite matrix and Risk Appetite Statement, again guided and advised by the JAC.

In response to feedback contained within an Internal Audit report, the Service has also done much work to update its own Risk Management Strategy during 2019/20. Like the Commissioner, the Service has also developed a draft Risk Appetite Statement during 2019/20. This makes clear that the Service has no appetite for tolerating critical risks and will only tolerate major risks in order to meet public need (e.g. in response to a major operational incident) or where business continuity arrangements will ensure that the Service's core functions will continue to be met. In pursuit of delivering the objectives set out in the Fire and Rescue Plan, the Service is willing to accept some closely monitored minor or significant risks. The Service's updated Risk Management Strategy (incorporating its Risk Appetite Statement) is due to be presented to the Commissioner and the Audit Committee for formal approval early in 2020/21. Staff training and workshops will then be delivered as required.

Operational risk information is managed using the national Provision of Operational Risk Information System (PORIS). Over the past year, significant work has been undertaken to ensure that the data within this is up-to-date and available to crews, most notably through the successful implementation of new Mobile Data Terminals (MDTs) and tablets on all appliances. This helps crews to complete Dynamic and Analytical Risk Assessments (DRAs / ARAs) when responding to operational incidents. As part of the development of the 2020 – 2024 IRMP, the Service also intends to develop a combined Prevention, Protection and Response Strategy that will support a holistic approach to risk mitigation.

Developing Capacity and Capability

Jo Turton, formerly Chief Executive of Lancashire County Council, was appointed as Chief Fire Officer / Chief Executive and joined the Authority in April 2018. Following this appointment a

review of the senior management structure took place and following an extensive and robust selection process, appointments have been made to the new positions of Deputy Chief Fire Officer, Director of Innovation and Change and Director of Corporate Services. A development post of Assistant Chief Executive (People, Values and Culture) has also been created and filled internally. These changes took effect from 1st April 2019 and are delivering additional expertise, capacity, resilience and flexibility at a senior level in the organisation.

Following the restructure of the SLT, middle layers of management have been reviewed during 2019/20. The Group Manager recruitment process concluded during Quarter 3, with two internal candidates and one external candidate being successful. The Station Manager talent pool and recruitment process is due to conclude by the end of the financial year.

Senior leaders have access to the Executive Leadership Programme and a local leadership development programme has also been commissioned, to enable Service leaders to understand how psychology and beliefs affect behaviour alongside the managerial impacts of unconscious thought processes and attitudes. In order to develop middle managers, the Service holds regular watch Manager / supervisory level development evenings and invests in externally accredited development through the Institute of Leadership and Management (ILM). Appraisal completion rates have climbed significantly during 2019/20.

At an operational level, phase 1 of the Core Skills Assurance Programme has been completed and phase 2 has commenced. A new Operational Training Strategy has been approved during 2019/20 which re-shapes the training offer to enable the majority of training to be delivered on stations. A new People Strategy has also been developed during 2019/20 and is due for approval by the end of the financial year.

The Service welcomed the first squad from the 2019 recruitment campaign in October 2019, with 18 new recruits becoming the first to be trained through the Fire Service College. A second cohort of 18 joined the Service in February 2020.

The diversity of the workforce continues to improve, with the Service employing 35 female firefighters as at September 2019. However more work still needs to be done to attract and recruit BAME candidates.

On-call recruitment is also progressing well, with resource levels increasing by 4.2% over the 12 months to December 2019.

During the year, the Authority's commitment to supporting vulnerable individuals and communities has seen it increase its participation in local strategic and community safety partnerships and hubs in order to enhance information and resource sharing and improve wider collaboration. Restructuring of the Community Safety function has continued into 2019/20, transferring responsibilities and resources from centralised functions to stations, thus supporting local delivery of prevention activity. Longer term collaborative opportunities, particularly linked to joint fleet workshops with Essex Police, are also being progressed.

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.

In addition, the Internal Auditor has responsibility to review and report to the independent Audit Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's

arrangements for governance, risk management and control. An overall positive opinion was given for 2019/20. The provision of Internal Audit Services is through a contract with RSM UK Group LLP.

During the autumn of 2019, an internal audit of the governance framework was carried out, to provide assurance regarding the new arrangements implemented following the transitional governance audit of 2017/18, and to ensure that these are embedded, transparent, well designed and operating in practice. The findings of that audit and the management response are summarised below:

Findings	Current Status	Management Response
Fit for purpose Terms of Reference are available for the Fire and Rescue Strategic Board, Audit Committee and Fire and Rescue Performance and Resources Board, however the date of last review was not explicitly stated on the documents, which may result in reviews not being completed with the required frequency.	Closed	This has been addressed through the review of the Constitution that has been completed during 2019/20. A review of the Terms of Reference of the Audit Committee is forward planned on the work programme for the Committee.
The Fire and Rescue Plan includes desired outcomes and indicators for each of the eight priorities. Performance is regularly discussed at the Fire and Rescue Performance and Resources Board, but the statistics reported were not clearly aligned to the outcomes set out in the Fire and Rescue Plan, creating a risk that the Service and the Commissioner may not adequately monitor and scrutinise progress made in delivering the Plan.	Open	High level reporting to the Performance and Resources Board and the Police, Fire and Crime Panel has been aligned with the Fire and Rescue Plan. Work continues to align operational performance reporting with these measures. There remains more work to do to develop and embed mechanisms for capturing and monitoring partner satisfaction with engagement; public trust and confidence, and the cost of service per resident.
Late receipt, and therefore issuing, of papers for some Strategic and Performance and Resources Boards may leave Board members insufficient time to review documents in order to aid discussions at meetings	Open	While improvements have been made, there are still occasions on which papers have been received after the deadline, or with insufficient time to permit quality assurance ahead of issuing. This is something that the Service continues to work on improving, in collaboration with the Commissioner's office.
Although decision making arrangements are clearly detailed in the Constitution and the Terms of Reference for various Boards, the definition of what constitutes a decision,	Closed	These matters are now clearly defined within the updated Constitution (incorporating an updated Scheme of Delegation) approved by the Police,

Findings	Current Status	Management Response
and when a decision must be referred to the Commissioner via a decision report, was not documented within the Constitution, which might results in decisions not being referred to the Commissioner as required.		Fire and Crime Panel in February 2020.

External Audit is another essential element in ensuring public accountability and stewardship of public resources and the effectiveness of the Commissioner’s governance arrangements, with the External Auditor’s annual letter particularly providing comment on financial aspects of corporate governance, performance management and other elements of the system of internal control. Following a competitive procurement process, the Commissioner has appointed Grant Thornton as the External Auditor for a five year period commencing from the 2018/19 financial year.

Other Significant Governance Issues

The global CoVID-19 pandemic

As the 2019/20 financial year drew to a close, significant pressures and challenges were placed on all emergency services as a result of the ongoing CoVID-19 pandemic. At the time of writing, the Essex County Fire and Rescue Service remains heavily involved in leading the county’s response to the pandemic, not least through the Deputy Chief Fire Officer’s co-Chairmanship of the Strategic Coordinating Group (SCG) stood up by the Essex Resilience Forum (ERF) to coordinate the multi-agency response.

The Commissioner continues to receive a weekly briefing from the Chief Fire Officer / Chief Executive on the impact of CoVID-19 on the Service. ECFRS stood up a Critical Incident Team (CIT) to oversee its response and has maintained an operating status of “amber” (moderate impact) throughout the pandemic. Staff absence levels have remained manageable throughout and increased availability of on-call fire fighters has meant that the Service has had more appliances able to respond than would normally be the case at this time of year. This, in turn, has had a positive impact on attendance times.

During the pandemic, there has been no change to the way the fire and rescue service responds to incidents. Keeping people who live, work and travel in Essex safe has remained the Service’s priority. Although the situation surrounding COVID-19 is unprecedented, ECFRS has a robust operational and business continuity plan which has been regularly updated and tested, so that in events such as this, the service is prepared and confident in meeting these challenges. The service has prepared operational staff who are not currently on front line duty to provide resilience to frontline services where needed; has increased remote working across the whole service, and reduced non-essential interaction with the public, but not at the expense of upholding its emergency service.

The depth and strength of collaboration across the emergency services and with other partners has been quite phenomenal. Following discussions between the National Fire Chiefs Council and representative bodies, agreement was reached regarding additional duties for operational fire and rescue service colleagues to provide support to East of England Ambulance Service Trust (EEAST) colleagues during a time of unprecedented demand on their services. The Essex

County Fire and Rescue Service was one of the first in the country to provide 19 fire fighters to work alongside paramedics as ambulance drivers and to help fetch and distribute vital equipment such as stretchers and PPE. At the time of writing, on-call fire fighters from stations across Essex had worked more than 4,000 shifts as ambulance drivers and made more than 40 extra ambulances available across Essex during the pandemic. The service also supported body recovery work and provided non-blue light driver training to EEAST colleagues during this time. ECFRS has also been providing ambulance drivers with sites for rest breaks. All such activity has been risk assessed, with additional training and personal protective equipment provided as necessary.

Throughout the pandemic, both the Commissioner and ECFRS have worked hard to maintain communication and engagement with the public. The Commissioner has produced a weekly video message in order to provide information and reassurance to the people and businesses of Essex and is continuing to engage with the public using social media, including by hosting public meetings on Facebook Live. While it has been necessary to postpone events such as station visits, the Service has continued to deliver safety messages and updates through its website and social media channels as well as via local media. During this time, the service has had to reduce the number of Home Fire Safety and Safe and Well visits its conducts, prioritising them for people who are particularly vulnerable to the risk of fire. However, it has posted home safety advice on You Tube and has continued to provide home safety advice by telephone and has ensured that more staff than ever are available to reassure, educate and advise anyone who needs this information. The service has also continued to deliver smoke alarms to less vulnerable people to fit themselves, as well as supplying literature.

The Commissioner, the Deputy Chief Fire Officer and other key leaders across Essex have been interviewed regularly by BBC Essex as part of a twice-weekly series entitled Essex Unites to highlight how the public and partners across the county are coming together during the pandemic and what the public needs to do to stay safe. A weekly written briefing has been prepared by the ERF Communications Group for distribution to all elected leaders and other key stakeholders in the county, and the Commissioner’s office has also arranged regular, remote briefings of MPs.

At the time of writing, it is expected that the costs to the Service of responding to CoVID-19 will be met in full by the Government.

Progress made in addressing significant governance issues identified in last year’s AGS

Progress made in addressing the significant governance issues identified in last year’s Annual Governance Statement is summarised in the table below:

Title	Action	Expected Delivery	Position as at 31 March 2020
Culture change	Undertake a full review of the People Strategy. Accelerate the Professional and Inclusive Workplace initiative. Commission a comprehensive leadership	Improved diversity of the workforce, with a particular focus on attracting female and BAME candidates.	A detailed workshop was carried out with Audit Committee members on 20 February 2020 to take them through progress made against each of the recommendations made by Irene Lucas and Sir Ken Knight, and it was concluded that all such recommendations

Title	Action	Expected Delivery	Position as at 31 March 2020
	<p>development programme.</p> <p>Deliver on an ongoing commitment to engagement and communications with all staff.</p>		<p>has either been discharged or subsumed within subsequent programmes of work.</p> <p>The Service's People Strategy has been reviewed and a new Strategy (incorporating a new management training programme) has been approved during 2019/20.</p> <p>Whilst significant progress has been made in attracting female candidates, there is more work to do on attracting BAME candidates.</p>
On-call availability	Deliver the on-call development programme	Improved recruitment and retention of on-call fire fighters and liaison officers	Despite improvements, on-call availability remained below target, partially due to on-call fire fighters joining whole-time stations.
Operational training	Invest an additional £600k to recruit four new Area Training Officers; refurbish training sites; improve training materials, and update the TASK system.	Training is delivered and recorded efficiently and effectively.	<p>Phase 1 of the Core Skills Assurance Programme is now complete and Phase 2 is underway.</p> <p>A new Operational Training Plan has been approved during 2019/20, which will continue to be delivered during 2020/21</p> <p>Four Group Trainers, a Breathing Apparatus Instructor and a Project Manager recruited in 2019/20 have had their contracts extended to 31 March 2021.</p>

Title	Action	Expected Delivery	Position as at 31 March 2020
IT infrastructure	Upgrade and future proof the IT infrastructure through investment in bespoke systems as well as exploring the potential development of shared strategic resources with Essex Police. Develop a Digital Strategy.	A more robust, comprehensive and efficient IT infrastructure.	In October 2019, the Commissioner approved an ICT transformation and optimisation programme to facilitate this and committed investment of £4,439k to support implementation, of which £1,600k is capital and £2,839k is revenue expenditure. Delivery of the programme commenced in 2019/20 and will conclude in 2022/23.
Long term financial sustainability and affordability	Identify efficiencies to fund service improvements. Engage and involve staff in developing a savings programme.	The Service's budget is balanced by 2021/22 and addresses the forecast budget gap in 2023 /24.	Budgets have been set for 2020/21, with the precept being approved by the Police, Fire and Crime Panel in February 2020. Financial planning and scenario modelling are informing the development of a Medium Term Financial Plan for 2020-2024 to accompany the next IRMP.

Significant governance issues for 2020/21

The significant governance issues facing the Service identified in last year's Annual Governance Statement remain the most pressing facing the service, along with recovery from the CoVID-19 pandemic. Planned next steps can be summarised as follows:

Title	Action	Expected Delivery
Culture change	Continue to deliver the ongoing cultural change programme. Recruit permanently to the role of Assistant Chief Executive (People, Values and Culture).	Improved diversity of the workforce, with a particular focus on attracting female and BAME candidates.

Title	Action	Expected Delivery
	<p>Develop a four-year Learning and Development Plan.</p> <p>Deliver a programme of positive action in recruitment.</p>	
On-call availability	<p>Continue to deliver the on-call development programme.</p> <p>Appoint on-call support managers.</p>	Improved recruitment and retention of on-call fire fighters and liaison officers
Operational training	<p>Continue to invest in Watch Managers as trainers. A cohort of 61 trainers will be available through this route once training is complete.</p> <p>Complete Phase 2 of the Core Skills Assurance Programme.</p> <p>Continue to deliver the Operational Training Plan.</p> <p>Across the 2019/20 and 2020/21 financial years, the Commissioner will invest an additional £1.4 million in this area.</p>	Training is delivered and recorded efficiently and effectively.
IT infrastructure	Continue to deliver the ICT transformation and optimisation programme.	A more robust, comprehensive and efficient IT infrastructure.
Recovery from the CoVID-19 pandemic	<p>Ensure the safe return of employees to the workplace in line with Government advice.</p> <p>Restore services suspended during the pandemic.</p> <p>Conduct a post-incident review of the response to share what went well, what could have been improved and lessons learned. Consider how the operational collaboration delivered during the pandemic can be built upon going forward. Adopt as business as usual new ways of working that have proven to be more efficient and effective.</p> <p>Assess and respond appropriately to any subsequent loss of income due to reductions in Council Tax receipts (due to increases in non-payment and</p>	<p>Employees are returned to the workplace in a safe and healthy way which supports both their wellbeing and their productivity.</p> <p>The Service has planned and is prepared for a potential resurgence of CoVID-19.</p> <p>Financial impacts on the Service are mitigated as far as possible.</p>

Title	Action	Expected Delivery
	/ or changes to the anticipated Council Tax base increase).	
Long term financial sustainability and affordability	Identify efficiencies to fund service improvements. Engage and involve staff in developing a savings programme. Develop a Medium Term Financial Plan for 2020-2024 to accompany the next IRMP.	The Service's budget is balanced by 2021/22 and addresses the forecast budget gap in 2023 /24.

Internal Control

The effectiveness of the internal audit arrangements and the system of internal control were included in the annual governance review. Elements of this review were also informed by the work of the Internal Auditors which, along with financial and performance issues arising, has been reported regularly to the Police, Fire and Crime Commissioner through the Boards described above. As part of these reports, action plans were agreed and reported on.

In February 2020, the Internal Auditors reviewed key financial controls and reported substantial assurance as they have for the last eight years.

Signed: Police Fire and Crime Commissioner

Signed: Chief Executive/Chief Fire Officer

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

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ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 March 2020

2018/19 Net £000	Notes	2019/20 Net £000
	Expenditure	
52,828	Firefighters	29,412
5,802	On call firefighters	6,775
1,466	Control staff	1,302
15,584	Support staff	16,533
75,680	Total Employment Costs	54,022
2,010	Support costs	2,336
10,249	Premises & Equipment	10,163
3,248	Other costs & services	3,248
(1,575)	Depreciation, impairment & other costs	5,361
80	Financing items	91
14,012	Total Other Costs	21,199
89,692	Gross Expenditure	75,221
	Income	
(4,158)	Operational Income	(8,278)
85,534	Provision of Fire Services	66,943
(114)	(Gain) or loss on Disposal of Fixed Assets	(121)
21	Pension administration costs	18
	Financing and Investment Income and Expenditure	
1,301	Interest payable on debt	1,210
18,719	Net interest on the net defined benefit liability (asset)	18,891
(83)	Investment interest income	(100)
	Taxation and Non-Specific Grant Income	
(9,347)	Revenue Support Grant	(8,337)
(16,697)	Non Domestic Rates	(16,569)
(44,781)	Council Tax	(46,338)
34,553	(Surplus) or Deficit on Provision of Services	15,597
(13,479)	(Surplus) or deficit on revaluation of non current assets	(3,890)
12,467	Remeasurements of the net defined benefit liability (asset)	(71,338)
(1,012)	Other Comprehensive Income and Expenditure	(75,228)
33,541	Total Comprehensive Income and Expenditure	(59,631)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	7,935	5,653	-	8,335	21,923	(698,838)	(676,915)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(15,597)	-	-	-	(15,597)	-	(15,597)
Other Comprehensive Income and Expenditure	-	-	-	-	-	75,228	75,228
Total Comprehensive Income & Expenditure	(15,597)	-	-	-	(15,597)	75,228	59,631
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7)	15,974	-	-	142	16,116	(16,116)	-
Transfers to or (from) earmarked reserves	(210)	210	-	-	-	-	-
Increase (Decrease) in Year	167	210	-	142	519	59,112	59,631
Balance at 31 March 2020	8,102	5,863	-	8,477	22,442	(639,726)	(617,284)

	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	6,823	5,761	-	7,790	20,374	(663,748)	(643,374)
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(34,553)	-	-	-	(34,553)	-	(34,553)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,012	1,012
Total Comprehensive Income & Expenditure	(34,553)	-	-	-	(34,553)	1,012	(33,541)
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7)	35,557	-	-	545	36,102	(36,102)	-
Transfers to or (from) earmarked reserves	108	(108)	-	-	-	-	-
Increase (Decrease) in Year	1,112	(108)	-	545	1,549	(35,090)	(33,541)
Balance at 31 March 2019	7,935	5,653	-	8,335	21,923	(698,838)	(676,915)

BALANCE SHEET

AS AT 31 March 2020

31 March 2019 £000		Notes	31 March 2020 £000
	Property, Plant & Equipment	9	
123,131	Land and Buildings		125,514
12,872	Vehicles, plant and equipment		12,064
711	Fixed assets under construction		694
94	Long Term Investments	30	94
136,808	Long Term Assets		138,366
432	Inventories		413
9,672	Short Term Debtors	12	9,215
11,682	Cash and Cash Equivalents	13	12,719
21,786	Current Assets		22,347
(2,499)	Short Term Borrowing		(250)
(6,194)	Short Term Creditors	14	(5,802)
(2,029)	Grants Receipts in advance	15	(2,875)
(10,722)	Current Liabilities		(8,927)
(24,500)	Long Term Borrowing	11	(24,500)
(850)	Provisions	16	(1,181)
(799,437)	Other Long Term Liabilities	29	(743,389)
(824,787)	Long Term Liabilities		(769,070)
(676,915)	Net Liabilities		(617,284)
	Usable Reserves		
7,935	General Fund		8,102
5,653	Earmarked General Fund Reserves		5,863
8,335	Capital Receipts Reserve		8,477
21,923	Usable reserves	17	22,442
	Unusable Reserves		
33,381	Revaluation Reserve		36,522
66,858	Capital Adjustment Account		67,261
(838)	Holiday Pay Account		(587)
1,198	Collection Fund Adjustment Account		467
(799,437)	Pension Reserve		(743,389)
(698,838)	Unusable Reserves	18	(639,726)
(676,915)	Total Reserves		(617,284)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 March 2020

2018/19 £000	Note	2019/20 £000
34,553		15,597
	Net (surplus) or deficit on the provision of services	
(39,956)	19	(21,624)
	Adjustment to surplus or deficit on the provision of services for non-cash movements	
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(545)	Proceeds from the sale of assets	(142)
-	EFA Trading Ltd loan repayment	-
(5,948)	Net cash flows from operating activities	(6,169)
	Net cash outflows from investing activities	
3,362	Purchase of assets	2,632
	Net cash outflows from financing activities	
1,000		2,500
(1,586)	Net (increase)/decrease in cash and cash equivalents	(1,037)
(10,096)	Cash and cash equivalents at the beginning of the reporting period	(11,682)
(11,682)	Cash and cash equivalents at the end of the reporting period	(12,719)

NOTES TO THE ACCOUNTS

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 38 to 41 and provide further information upon the financial performance of the Authority during 2019/20.

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.

2018/19			2019/20		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
86,446	(912)	85,534	62,088	4,855	66,943
(87,450)	36,469	(50,981)	(62,465)	11,119	(51,346)
(1,004)	35,557	34,553	(377)	15,974	15,597
(12,584)			(13,588)		
(1,004)			(377)		
(13,588)			(13,965)		

1.1 Note to the Expenditure and Funding Analysis

The tables below provides analysis of the Adjustments between Funding and Accounting Basis for 2019/20 and 2018/19 respectively.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for Pensions adjustments	Other differences	Total Adjustments
2019/20	£000	£000	£000	£000
Provision of Fire Services	5,106	-	(251)	4,855
Other Income and Expenditure from the Funding Analysis	(4,902)	15,290	731	11,119
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	204	15,290	480	15,974

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for Pensions adjustments	Other differences	Total Adjustments
2018/19	£000	£000	£000	£000
Provision of Fire Services	(1,243)	-	330	(912)
Other Income and Expenditure from the Funding Analysis	(5,086)	41,343	213	36,469
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit	(6,329)	41,343	543	35,557

2 Accounting policies

2.1 General

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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 Exceptional items

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

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 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.

2.5 Events after the balance sheet date

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

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

2.6 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised 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.

2.7 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 (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

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

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

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 it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and 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 Other Operating Expenditure 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

2.11 Operating Leases

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

2.12 Inventories and Long Term Contracts

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

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:

2.14.4 Local Government Pension Scheme

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

The LGPS is accounted for as a defined benefits scheme

- The liabilities of the LGPS pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits

earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond.

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

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

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

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

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

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

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

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

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

Benefits paid – payments to discharge liabilities directly to pensioners.

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

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

2.14.5 Firefighters' pension schemes

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

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

2.14.6 Retained firefighters' pension scheme

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

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

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

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 principle 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.

Valuation techniques used to measure fair value are categorised into Levels 1, 2 and 3 where Level 1 has an active market with quoted prices for similar instruments, Level 2 has some directly observable market information other than Level 1 inputs, and Level 3 has no market information and valuation requires significant judgement by management.

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.

3 Accounting standards that have been issued but not adopted

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

- Amendments to IAS 28 Investments In Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

4 Critical judgements in applying accounting policies

With regard to the going concern concept the Authority remains in a strong financial position and plans to invest in its infrastructure will continue. This will be by using earmarked reserves and capital receipts. Longer term financial planning to ensure financial stability will be a pre-requisite, in this context there is uncertainty about future levels of government funding. Management have published a medium term financial plan in the year, which covers some of the key financial risks faced.

The CoVID19 pandemic arose towards the end of the financial year. The Government has provided the Authority with additional funding within the financial year (£290k), of which £262k has been allocated as an earmarked reserve, as the specific costs incurred with CoVID19 within the year were minimal. The Authority has received £1.3m of further government funding in the new financial year. At present this funding is expecting to meet any additional costs that have arisen within the service. Given the future uncertainty that exists regarding the pandemic, this position will continue to be monitored closely. If further costs arise outside of the government funding, the service will consider the use of its reserves to fund any shortfall.

The Authority has determined that that uncertainty about future levels of government funding is not 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 in future years.

The trading activities of the Authority were undertaken by a wholly owned subsidiary EFA (Trading) Limited. The business of the company is to sell training and engineering services. Group Accounts are not produced because the impact of the trading company would be immaterial. In particular, the turnover of the trading company in 2019/20 is less than 1% of the net expenditure out-turn of the Authority.

The Authority is one of eleven members of the Fire and Rescue Indemnity Company Ltd. The company is limited by guarantee and commenced trading in November 2015. The Fire and Rescue Indemnity Company is managed by a board of directors. No member authority has the right to appoint a director. The member authorities elect directors. No member authority has the power to control decisions of the Fire and Rescue Indemnity Company. As the Fire and Rescue Indemnity Company is not under the control of the Authority and we have no rights to returns group accounts are not produced.

Property, plant and equipment 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 year end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Authority's valuer to determine whether the carrying amount of these assets is consistent with their current value. A full revaluation was carried out as at 31 March 2019 and 31 March 2020.

This year there remains an ongoing national issue which has resulted in a change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". The results of this are reflected in the Accounts.

5 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Chief Finance Officer on 30th June 2020.

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 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Asset are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	The carrying value of depreciating assets at 31 March 2020 is £89m. 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 £448k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions/judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and expected return on assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The carrying value of the pension liability as at 31 March 2020 is £798,614k. The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 29.5.
Provisions	The Authority has made provision for potential claims for past events that may result in a transfer of economic benefits. The provisions provide for cover against possible employee, NDR and outstanding motor insurance payments.	The current carrying value of provisions as at 31 March 2020 is £1,181k. If provisions were overstated by 10% the provision would reduce by £118k.

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.

2019/20	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Emergency Planning Reserve	
	£000	£000	£000	£000	
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to (or from) the Pensions Reserve)	15,290	-	-	-	(15,290)
Council tax & NDR (transfers to/(from) Collection Fund)	731	-	-	-	(731)
Holiday pay (transferred to the Accumulated Absences Reserve)	(251)	-	-	-	251
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)	5,106	-	-	-	(5,106)
Total Adjustment to Revenue Resources	20,876	-	-	-	(20,876)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(121)	142	-	-	(21)
Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,781)	-	-	-	4,781
Total Adjustments between Revenue and Capital Resources	(4,902)	142	-	-	4,760
Total Adjustments	15,974	142	-	-	(16,116)

Adjustments between accounting basis and funding basis under regulations

2018/19 Comparative figures	Usable Reserves				Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Emergency Planning Reserve £000	
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: Pension costs (transferred to (or from) the Pensions Reserve) Council tax & NDR (transfers to/(from) Collection Fund) Holiday pay (transferred to the Accumulated Absences Reserve) Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	41,343 213 330 (1,242)	- - - -	- - - -	- - - -	(41,343) (213) (330) 1,242
Total Adjustment to Revenue Resources	40,644	-	-	-	(40,644)
Adjustments between Revenue and Capital Resources Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(114) (4,973)	545 -	- -	- -	(431) 4,973
Total Adjustments between Revenue and Capital Resources	(5,087)	545	-	-	4,542
Total Adjustments	35,557	545	-	-	(36,102)

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.

2019/20	Balance at 1 April	Additions made in year	Transfer to General Fund	Balance at 31 March
	£000	£000	£000	£000
Earmarked General Fund Reserves:				
COVID-19 Reserve	-	262	-	262
On call Demand Pressures	600	-	-	600
On call - support	400	-	-	400
Operational Training Reserve	1,000	-	-	1,000
Spend to Save Reserve	808	-	(52)	756
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	200	-	-	200
Innovation and Transformation	1,960	-	-	1,960
Rolling Budgets Reserve	85	-	-	85
Business Continuity Reserve	150	-	-	150
Risk Protection	250	-	-	250
Total	5,653	262	(52)	5,863

2018/19	Balance at 1 April	Additions made in year	Transfer to General Fund	Balance at 31 March
	£000	£000	£000	£000
Earmarked General Fund Reserves:				
Emergency Planning Reserve	469	-	(469)	-
On call Demand Pressures	600	-	-	600
On call - support	-	400	-	400
Operational Training Reserve	-	1,000	-	1,000
Spend to Save Reserve	932	-	(124)	808
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	200	-	-	200
Innovation and Transformation	2,400	-	(440)	1,960
Rolling Budgets Reserve	410	85	(410)	85
Business Continuity Reserve	300	-	(150)	150
Risk Protection	250	-	-	250
Total	5,761	1,485	(1,593)	5,653

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.

2019/20	Land and buildings	Vehicles, plant & equipment	Assets under construction	Total PP&E
Cost or valuation	£000	£000	£000	£000
At 1 April	123,141	38,256	711	162,108
Transfer from FAUC	-	1,620	(1,621)	(1)
Additions	1,193	-	1,604	2,797
Impairments	(1,193)	-	-	(1,193)
Reclassifications and transfers	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	1,998	-	-	1,998
Revaluation increases/(decreases) to surplus or deficit on the provision of services	385	-	-	385
Disposals	-	(782)	-	(782)
At 31 March	125,524	39,094	694	165,312
Depreciation and impairment				
At 1 April	10	25,384	-	25,394
Depreciation charge	2,476	2,407	-	4,883
Other movements in depreciation to the Revaluation Reserve	(1,892)	-	-	(1,892)
Other movements in depreciation to the surplus of deficit on the provision of services	(584)	-	-	(584)
Disposals	-	(761)	-	(761)
At 31 March	10	27,030	-	27,040
Net Book value				
At 31 March 2020	125,514	12,064	694	138,272
At 31 March 2019	123,131	12,872	711	136,714

2018/19	Land and buildings	Vehicles, plant & equipment	Assets under construction	Total PP&E
Cost or valuation	£000	£000	£000	£000
At 1 April	104,412	38,137	917	143,466
Transfer from FAUC	-	2,275	(2,275)	-
Additions	1,419	45	2,069	3,533
Impairments	(1,419)	-	-	(1,419)
Reclassifications and transfers	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	12,367	-	-	12,367
Revaluation increases/(decreases) to surplus or deficit on the provision of services	6,501	-	-	6,501
Disposals	(139)	(2,201)	-	(2,340)
At 31 March	123,141	38,256	711	162,108
Depreciation and impairment				
At 1 April	10	24,565	-	24,575
Depreciation charge	1,762	2,728	-	4,490
Other movements in depreciation to the Revaluation Reserve	(823)	-	-	(823)
Other movements in depreciation to the surplus or deficit on the provision of services	(939)	-	-	(939)
Disposals	-	(1,909)	-	(1,909)
At 31 March	10	25,384	-	25,394
Net Book value				
At 31 March 2019	123,131	12,872	711	136,714
At 31 March 2018	104,402	13,572	917	118,891

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

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

An analysis of the capital expenditure and the way it was financed is set out on page 10 note 7.

The Authority's fixed assets principally include:

	2018/19	2019/20
Fire & Rescue Headquarters	1	1
Fire & Rescue training centre	1	1
Fire & Rescue vehicle workshop	1	1
Fire stations	50	50
Fire service houses & other properties	25	25

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. All valuations were undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fire stations are valued at depreciated replacement cost and other properties are valued at existing use value.

At 31 March 2020 a revaluation review of all properties was carried out and an increase has been reflected as appropriate.

10 Heritage Assets

In June 2007 the Essex Fire Museum was opened with the objective of preserving the heritage of Essex County Fire and Rescue Service. The museum occupies part of the premises at Grays Fire Station. As the accommodation is limited all appointments are by prior booking. The museum contains a collection of fire brigade related items and includes old photograph negatives, photographs, videos, assorted equipment and memorabilia and two old fire engines. The museum is staffed by volunteers. As the collection is made up of a large number of relatively small value items, and the overall value would not be material to the Authority's accounts, the cost of obtaining a valuation would outweigh the benefits to the users of these financial statements. For these reasons heritage assets are not reported in the balance sheet.

11 Financial Instruments

11.1 Financial Instrument Balances

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

	Non current		Current	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Investments				
Investments	94	94	-	-
Cash & cash equivalents	-	-	11,682	12,719
Debtors				
Short-term debtors	-	-	1,042	648
Creditors				
Short term creditors	-	-	(1,495)	(509)
Borrowings				
Long term borrowing	(24,500)	(24,500)	-	-
Short term borrowing	-	-	(2,499)	(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 **£1,210k** and interest income of **£100k**. The fair value of loans borrowed from the Public Works Loans Board (PWL) is **£35.6m** compared to their book value of **£24.5m** (£36.7m, £27.0m in 2018/19). 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 2020) arising from a commitment to pay interest to lenders above current market rates.

11.2 Long term liabilities

Long term borrowing, undertaken for periods in excess of 364 days, is only undertaken for the purposes of financing capital expenditure. The Authority has secured its borrowing to date from the Public Works Loan Board. The loans carry the same interest rate for the whole term. The associated arrangement cost of the loans is not material and the Interest chargeable to the Income and Expenditure account remains the amounts payable under the loan agreements.

Long term borrowing, as at 31 March, is analysed in the following table, according to repayment periods. The maturity of borrowing has been determined by reference to the earliest date on which the lender can require repayment. At 31 March 2020 the fair value of PWLB debt is **£35.6m** compared to £36.7m as at 31 March 2019.

2018/19 PWLB loans £000		2019/20 £000
	Repayment period	
-	Between 1 - 2 years	-
1,000	Between 2 - 5 years	2,000
7,000	Between 5 - 10 years	11,000
16,500	Over 10 years	11,500
24,500	Balance at 31 March	24,500

The longest dated loan is one of **£4.5m** that runs until December 2034. The weighted average interest rate was 4.79% at 31 March (2018/19 4.68%).

11.3 Fair Value – Methodology and Assumptions

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

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

Interest is calculated using the most common market convention, ACT/365. Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments. For fixed term deposits it is assumed that interest is received on maturity. No adjustment has been made for the interest value and date where a relevant date occurs on a non working day. The fair value of PWLB borrowing is reported in note 11.2.

11.4 Nature of Extent of Risks Arising from Financial Instruments

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

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

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

11.5 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority ensures that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited. Deposits are not made with banks and financial institutions unless they are on an approved list. Lloyds Bank is included on the lending list as it acts as the banker to the Authority. Other money market funds, banks and similar institutions with high grade credit ratings may be used subject to the agreement of the Chief Finance Officer. The Authority requires any new counterparty to have a minimum of an 'A' Fitch rating. Fitch is an independent organisation providing a rating for each individual financial institution. The Authority does not generally hold funds for longer term investment. The maximum exposure to credit risk at 31 March 2020 was **£12.7m** as detailed in note 13.

11.6 Liquidity Risk

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

11.7 Refinancing and Maturity risk

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

11.8 Market Risk

The Authority's exposure to interest rate movements on its borrowings is limited to new arrangements. Advice from treasury management advisors on future interest movements is used to inform decisions concerning the timing of new loans. There is an interest rate risk if the Authority is required to replenish borrowings at a higher interest rate. The maturity of borrowing is spread to minimise this risk. The sensitivity to a 1% increase in interest rates across all borrowings would increase the charge to the income and expenditure account by £270k per annum.

12 Debtors

The analysis of Debtors is shown below:

2018/19 £000		2019/20 £000
5,153	Central government bodies	5,307
2,897	Other local authorities	2,596
2	National Health Service bodies	2
1,620	Bodies external to general government	1,310
<u>9,672</u>		<u>9,215</u>

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

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

Further details of the amounts due from billing authorities in respect of council tax and non domestic rates are shown in note 31.

13 Cash and cash equivalents

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

2018/19 £000		2019/20 £000
3,182	Bank current accounts	2,719
8,500	Cash equivalent investments	10,000
<u>11,682</u>		<u>12,719</u>

14 Creditors

The analysis of Creditors is shown below:

2018/19 £000		2019/20 £000
(1,426)	Central government bodies	(1,584)
(1,913)	Other local authorities	(1,505)
(2,855)	Bodies external to general government	(2,713)
(6,194)		(5,802)

Further details of amounts due to billing authorities in respect of council tax and non domestic rates are shown in note 31.

15 Grant receipts in advance

The Authority has **£2,875k** grant receipts in advance (2018/19 £2,029k), of which **£2,853k** 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
Balance at 1 April	(150)	(675)	-	(25)	(850)
Adjustment to opening balance	-	-	-	-	-
Additional provisions made in year	-	(168)	(182)	(31)	(381)
Amounts used in year	50	-	-	-	50
Unused amounts reversed in year	-	-	-	-	-
Balance at 31 March	(100)	(843)	(182)	(56)	(1,181)

The balance of the Risk Protection provision at 31 March 2020 was **£100k** (2019 £150k) 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 grants unapplied

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

17.3 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:

2018/19 £000		2019/20 £000
33,381	Revaluation Reserve	36,522
66,858	Capital Adjustment Account	67,261
(838)	Holiday Pay Account	(587)
1,198	Collection Fund Adjustment Account	467
<u>(799,437)</u>	Pensions Reserve	<u>(743,389)</u>
<u>(698,838)</u>		<u>(639,726)</u>

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.

2018/19 £000		2019/20 £000
20,188	Balance at 1 April	33,381
13,479	Upward revaluation of assets	3,890
13,479	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	3,890
(255)	Difference between fair value depreciation and historical cost depreciation	(749)
(31)	Accumulated gains on assets sold	-
<u>(286)</u>	Amount written off to the Capital Adjustment Account	<u>(749)</u>
<u>33,381</u>	Balance at 31 March	<u>36,522</u>

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. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000		2019/20 £000
60,788	Balance at 1 April	66,858
	Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:	
(5,909)	Charges for depreciation & impairment of non current assets	(6,075)
7,151	Revaluation gains/(losses)	969
(431)	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	(21)
286	Adjusting amounts written out of the Revaluation Reserve	749
1,097	Net written out amount of the cost of non current assets consumed in the year	(4,378)
	Capital financing applied in the year:	
4,973	Statutory provision for the financing of capital investment charged against the General Fund balance	4,781
4,973		4,781
66,858	Balance at 31 March	67,261

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.

2018/19 £000		2019/20 £000
(508)	Balance at 1 April	(838)
(330)	Change in amounts accrued at the end of the current year	251
(838)	Balance at 31 March	(587)

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.

2018/19		2019/20
£000		£000
1,411	Balance at 1 April	1,198
	Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(731)
(213)		
<u>1,198</u>	Balance at 31 March	<u>467</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.

2018/19		2019/20
£000		£000
(745,627)	Balance at 1 April	(799,437)
(12,467)	Actuarial gains or (losses) on pension assets and liabilities	71,338
	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the provision of Services in the Comprehensive Income and Expenditure Statement	(15,290)
(41,343)		
<u>(799,437)</u>	Balance at 31 March	<u>(743,389)</u>

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

2018/19		2019/20
£000		£000
(5,909)	Depreciation and impairments	(6,077)
7,151	Revaluation gains/(losses)	969
615	(Increase)/decrease in creditors	(540)
196	(Increase)/decrease in provisions	(331)
-	Increase/(decrease) in inventories	(19)
(784)	Increase/(decrease) in debtors	(447)
4	(Increase)/decrease in provision for bad debts	(10)
(41,343)	Movement in pension liability	(15,290)
114	Carrying amount of non-current assets sold	121
-	Other non cash adjustments	-
<u>(39,956)</u>		<u>(21,624)</u>

Included in the above is **£1,210k** interest paid and **£100k** interest received.

20 Governance expenses

Governance expenses paid to the Police, Fire and Crime Commissioner for Essex in 2019/20 totalled **£215k** (£214k for 2018/19).

21 Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2019/20 is listed below:

Remuneration band	Number of officers	
	2018/19	2019/20
£50,000 - £54,999	42	45
£55,000 - £59,999	10	29
£60,000 - £64,999	14	16
£65,000 - £69,999	3	11
£70,000 - £74,999	3	3
£75,000 - £79,999	2	7
£80,000 - £84,999	3	3
£85,000 - £89,999	-	3
£90,000 - £94,999	1	2
£95,000 - £99,999	2	2
£100,000 - £104,999	1	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	2
£150,000 - £154,999	1	1

The tables below detail the individual remuneration of senior employee's for 2019/20 and 2018/19 respectively.

21.1 2019/20

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2019/20					
Chief Fire Officer and Chief Executive - Jo Turton	£152,939	-	-	£1,940	-
Deputy Chief Fire Officer	£125,588	-	-		£34,972
Director of Operations	£93,018	£1,239	-	£1,940	£25,645
Assistant Chief Executive Officer - People Values and Culture	£93,339	£1,239	-		£15,121
Assistant Chief Fire Officer - Integrated Risk Management Plan and Service Improvement from 1st April to 14th August 2019	£42,367	-	£530		£13,755
Director of Innovation, Risk and Future Development	£120,980	-	£3,172	£1,940	£34,842
Director of Corporate Services	£115,000	-	£12,337		£18,630
Chief Finance Officer From 1st Jan to 31st March 2020	£22,059	-	£1,705	-	£3,573
Acting Chief Finance Officer from 1st April to 31st December 2019	£61,247	£1,500	£5,443	-	£10,165

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 21 (above).

21.2 2018/19

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
2018/19					
Chief Fire Officer and Chief Executive - Jo Turton	£149,940	-	-	£1,721	-
Assistant Chief Fire Officer	£118,033	-	£3,172	£1,875	£16,879
Assistant Chief Fire Officer - Service Improvement from 13th Aug 2018 to 31st March 2019	£34,167	-	£1,489	-	£7,206
Acting Chief Finance Officer	£77,189	-	£7,092	-	£12,505
Director of Transformation until 30th April 2018	£14,177	-	-	-	£1,571

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 21 (above).

22 External Audit costs

The Authority paid **£35k** (2018/19 £44k) for external audit services carried out by the appointed auditor.

23 Grant Income

This table shows the grants and contributions credited to the Comprehensive Income and Expenditure Statement in the year:

2018/19 £000		2019/20 £000
	Credited to Services	
-	Additional Pension Grant	3,517
819	Small Business Rate Relief	1,227
857	New Dimension	864
609	FireLink	628
91	ESMCP	99
314	Other	127
<u>2,690</u>		<u>6,462</u>

24 Related parties

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

2018/19		2019/20
£000		£000
	Provided services to:	
	UK Central Government	
9,347	Revenue Support Grant	8,337
16,634	Non Domestic Rates (NDR) Grant	16,682
52	Police, Fire and Crime Commissioner for Essex	52
823	Essex Police	479
189	Essex County Council	135
567	EFA Trading Ltd	427
<u>27,612</u>		<u>26,111</u>
	Received services from:	
214	Police, Fire and Crime Commissioner for Essex	215
156	Essex Police	63
775	Essex County Council	188
213	Fire and Rescue Indemnity Company Ltd.	212
<u>1,358</u>		<u>678</u>

There are some small outstanding balances which are included in note 12 and 14 for debtors and creditors respectively.

UK Central Government is responsible for providing the statutory framework, within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills).

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

25 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.

2018/19		2019/20
£000		£000
37,913	Opening Capital Financing Requirement	36,473
	Capital investment	
3,533	Property, plant and equipment	2,797
	Sources of finance	
-	Capital receipts	-
	Sums set aside from revenue:	
(4,973)	Revenue provision for capital financing	(4,781)
<u>36,473</u>	Closing Capital Financing Requirement	<u>34,489</u>
	Explanation of movements in year	
(1,440)	Increase/(Decrease) in underlying need to borrow	(1,984)
<u>(1,440)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>(1,984)</u>

26 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.

2018/19 £000	2019/20 £000
Commitments under operating leases	
54 Property - Not later than one year	54
6 Vehicles - Not later than one year	4
12 Property - Later than one year and not later than five years	10
176 Vehicles - Later than one year and not later than five years	204
- Property - Later than five years	-
248	272

27 Capital Commitments

At 31 March 2020 the Authority had capital expenditure commitments of **£0.4m**.

28 Redundancy and early retirement costs – Exit packages

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

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

Exit Packages	---Number of Staff ---		Total £000
	Compulsory	Other Departures	
2019-20			
up to £20K	-	2	36
Total 2019-20	-	2	36
2018-19			
up to £20K	1	-	9
£20K to £40K	1	-	23
Total 2018-19	2	-	32

The total cost of **£36k** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

29 Pensions

29.1 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 2019/20 this cost **£1k** (£1k in 2018/19).

On 1 April 2015 a new Firefighters' Pension Scheme was introduced, and the following notes include the data for the three schemes combined, 2015, 2006 and 1992. Employees' and employers' contributions into the Firefighters' Pension Fund are determined by the Secretary of State on the advice of the Government Actuary. Payments of pensions and other retirement benefits are made from the Pension Fund (see page 81). 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.

29.2 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	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Net cost of services:				
Service cost	3,879	4,060	41,633	17,945
Net interest on the defined liability (asset)	665	651	18,054	18,240
Administration expenses	21	18	-	-
Remeasurements in Other Comprehensive Income	(2,360)	(4,895)	14,827	(66,443)
Net charge to the CIES	2,205	(166)	74,514	(30,258)
Adjustments between accounting basis & funding basis under regulations:				
Reversal of net charges made for retirement benefits in accordance with IAS 19	4,565	4,729	59,687	36,185
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	1,649	1,771	21,305	23,762
Net charge to the General Fund Summary	6,214	6,500	80,992	59,947

29.3 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	
	31/03/19	31/03/20	31/03/19	31/03/20
	£000	£000	£000	£000
Opening Defined Benefit Obligation	(80,854)	(84,865)	(718,419)	(771,628)
Current service cost	(3,600)	(4,060)	(11,680)	(17,554)
Interest cost	(2,025)	(2,023)	(18,054)	(18,240)
Change in assumptions	490	11,368	(14,827)	66,443
Liabilities assumed on settlements	1,004	0	-	-
Experience loss/(gain) on defined benefit obligation	-	(2,632)	-	-
Estimated benefits paid net of transfers in	1,587	1,953	24,581	27,134
Past service costs, including curtailments	(805)	-	(29,953)	(391)
Contributions by Scheme participants	(683)	(768)	(3,276)	(3,372)
Unfunded pension payments	21	21	-	-
Closing Defined Benefit Obligation	(84,865)	(81,006)	(771,628)	(717,608)

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

	LGPS		Firefighters	
	31/03/19	31/03/20	31/03/19	31/03/20
	£000	£000	£000	£000
Opening fair value of Scheme assets	53,439	56,894	-	-
Interest on assets	1,360	1,372	-	-
Return on assets less interest	1,870	(4,332)	-	-
Administration expenses	(21)	(18)	-	-
Contributions by employer including unfunded	1,649	1,771	21,305	23,762
Contributions by Scheme participants	683	768	3,276	3,372
Estimated benefits paid plus unfunded net of transfers in	(1,608)	(1,974)	(24,581)	(27,134)
Other actuarial gains/(losses)	-	491	-	-
Settlement prices received	(478)	0	-	-
Closing fair value of Scheme assets	56,894	54,972	-	-

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£253k).

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.

29.4 Scheme history

LGPS	31/03/16	31/03/17	31/03/18	31/03/19	31/03/20
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	39,082	47,460	53,439	56,894	54,972
Present Value of Defined Benefit Obligation	(59,381)	(78,525)	(80,854)	(84,865)	(81,006)
Surplus/(deficit) in the Scheme	(20,299)	(31,065)	(27,415)	(27,971)	(26,034)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£798.6m** (£856.5m 2018/19) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£746.1m**.

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

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

The total contributions expected to be made to the Local government Pension Scheme by the Authority in the year to 31 March 2021 is **£2.4m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2021 are **£8.2m**.

29.5 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The annual Fire Authority budget will make allowance for the firefighter's pension scheme payments based on an estimate of when such payments fall due.

The Authority's budget is set taking the employer's pension contribution into account and government grant is received to cover any shortfall in the account.

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

	LGPS		Firefighters	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions:				
<i>Longevity at 65 for future pensioners:</i>				
Men	22.9 years	23.2 years	22.4 years	22.7 years
Women	25.4 years	25.2 years	25.0 years	24.9 years
<i>Longevity at 65 for current pensioners:</i>				
Men	21.3 years	21.8 years	20.8 years	21.0 years
Women	23.6 years	23.7 years	23.1 years	23.1 years
Salary Increase Rate	3.9%	2.85%	3.9%	3.4%
Rate of increase in pensions	2.4%	1.85%	2.4%	1.9%
Discount Rate	2.4%	2.35%	2.4%	2.35%
Take-up of option to convert annual pension into retirement lump sum:				
Service to April 2009	50%	50%	50%	50%
Service post April 2009	50%	50%	50%	50%

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

	LGPS		Firefighters	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Longevity (increase or decrease in 1 year)	83,917	78,200	748,661	687,887
Rate of increase in salaries (increase or decrease by 1%)	81,182	80,831	719,299	715,933
Rate of increase in pensions (increase or decrease by 1%)	82,607	79,440	729,555	705,901
Rate for discounting scheme liabilities (increase or decrease by 1%)	79,275	82,776	704,298	731,199

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	
	31/03/19	31/03/20
	£000	£000
Equities	35,422	32,177
Bonds	6,345	5,700
Property	5,059	4,943
Cash	1,498	2,285
Alternative assets	5,547	6,332
Other managed funds	3,023	3,535
	56,894	54,972

29.6 Pensions Reserve

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

	LGPS		Firefighters	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening balance:	27,415	27,971	718,419	771,628
Current service cost	3,600	4,060	11,680	17,554
Interest cost	2,025	2,023	18,054	18,240
Changes in assumptions	(490)	(11,368)	14,827	(66,443)
Experience loss/(gain) on defined benefit obligation	-	2,632	-	-
Liabilities assumed on settlements	(1,004)	0	-	-
Past service cost, including curtailments	805	-	29,953	391
Contributions by employer including unfunded	(1,649)	(1,771)	(21,305)	(23,762)
Interest on assets	(1,360)	(1,372)	-	-
Return on assets less interest	(1,870)	4,332	-	-
Other actuarial gains/(losses)	-	(491)	-	-
Administration expenses	21	18	-	-
Settlement prices received	478	0	-	-
Balance at 31 March	27,971	26,034	771,628	717,608

30 Long Term Investments

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

31 Council Tax and Non Domestic Rates

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

The Council Tax figures for 2019/20 and 2018/19, respectively, are shown below:

2019/20				
Authority	Council Tax	Council Tax	Council Tax	Council Tax
	Cash	Prepayments	Arrears	Bad Debt
	£000	£000	£000	Provision
				£000
Basildon	(161)	(89)	508	(322)
Braintree	50	(60)	169	(42)
Brentwood	(47)	(46)	187	(86)
Castle Point	11	(31)	134	(94)
Chelmsford	(197)	(63)	331	(43)
Colchester	(12)	(128)	266	(140)
Epping Forest	9	(73)	215	(143)
Harlow	62	(47)	276	(102)
Maldon	57	(38)	90	(25)
Rochford	40	(19)	76	(60)
Southend	(68)	(69)	250	(143)
Tendring	63	(95)	293	(123)
Thurrock	(27)	(23)	147	(79)
Uttlesford	20	(65)	107	(50)
Total	(200)	(846)	3,049	(1,452)

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

The Non Domestic Rates figures for 2019/20 and 2018/19, respectively, are shown below:

2019/20					
Authority	Provision for Business Rates				NDR Bad Debt
	NDR Cash	appeals	Prepayments	NDR Arrears	Provision
	£000	£000	£000	£000	£000
Basildon	113	(141)	(12)	21	(15)
Braintree	50	(42)	(3)	4	(1)
Brentwood	11	(30)	(6)	25	(12)
Castle Point	32	(32)	(1)	2	(2)
Chelmsford	92	(127)	(21)	29	(17)
Colchester	93	(82)	(14)	28	(12)
Epping Forest	68	(54)	(9)	21	(11)
Harlow	(31)	(28)	(8)	40	(23)
Maldon	16	(27)	(1)	7	(5)
Rochford	7	(11)	(2)	4	(3)
Southend	34	(55)	(9)	15	(6)
Tendring	69	(36)	(5)	11	(5)
Thurrock	158	(134)	(3)	25	(18)
Uttlesford	40	(44)	(8)	16	(8)
Total	752	(843)	(102)	248	(138)

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

32 Premiums and Discounts

Premiums and discounts are paid or received on early redemption of borrowing. As at the 1 April 2019 the Authority had no outstanding premiums or discounts balances on its Balance Sheet and none as at 31 March 2020.

33 Price and Foreign Exchange Risk

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

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

FIREFIGHTERS' PENSION FUND ACCOUNT

FOR THE YEAR ENDED 31 March 2020

2018/19 £000	2019/20 £000
Contributions receivable	
from employer	
(3,903) normal contributions	(7,602)
(241) early retirements	(195)
(3,260) from members	(3,377)
Transfers in	
(8) individual transfers in from other schemes	(121)
Benefits payable	
18,501 pensions	19,476
3,919 commutations and lump sum retirement benefits	5,094
Payments to and on account of leavers	
325 individual transfers out to other schemes	323
15,333	13,598
Deficit for the year before top-up grant receivable from central government	
(15,333) Top up grant payable by sponsoring department	(13,598)
-	-
Net amount payable for the year	
	-

FIREFIGHTERS' PENSION FUND NET ASSETS STATEMENT

AS AT 31 March 2020

2018/19 £000	2019/20 £000
Net current assets and liabilities	
(4,884) Top up payable to/(receivable from) sponsoring department	(5,087)
4,884 Amount owing to general Fund	5,087
-	-
	-

NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

1 Background

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

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

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

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2019.

2 Accounting policies

2.1 Accounting convention

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

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

2.2 Contributions

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

2.3 Benefits payable

Retirement benefits are accounted for on an accrual basis.

2.4 Transfers to / from other Schemes

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

2.5 Basis of preparation and International Financial Reporting Standards

The Pension Fund Statement of Account summarises the transactions of the scheme and the net assets of the Fund. The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year. The liability of the Authority in respect of Firefighter pensions is reported in Note 29 to the Authority's accounts.

GLOSSARY OF TERMS

1 Accounting period

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

2 Accruals

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

3 Actuarial gains and losses

For defined benefit schemes, the changes in actuarial deficits or surpluses arise because:

events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

4 Asset

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

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

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

5 Audit of accounts

An independent review of the Authority's financial affairs.

6 Balance sheet

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

7 Budget

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

8 Capital expenditure

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

9 Capital financing

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

10 Capital programme

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

11 Capital receipt

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

12 CIPFA

The Chartered Institute of Public Finance and Accountancy.

13 Collection fund

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

14 Consistency

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

15 Contingent asset

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

16 Contingent liability

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

17 Creditor

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

18 Current service cost (pensions)

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

19 Debtor

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

20 Deferred charges

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

21 Defined benefit pension scheme

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

22 Depreciation

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

23 Discretionary benefits (pensions)

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

24 Equity

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

25 Events after the balance sheet date

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

26 Exceptional items

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

27 Expected return on pension assets

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

28 Extraordinary items

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

29 Fair value

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

30 Government grants

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

31 Impairment

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

32 Income and expenditure account

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

33 Interest cost (pensions)

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

34 Investments (pension fund)

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

35 Liability

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

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

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

36 Liquid resources

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

37 Long term contract

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

38 Materiality

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

39 Minimum Revenue Provision (MRP)

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

40 Net book value

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

41 Net debt

The Authority's borrowings less cash and liquid resources.

42 Non-domestic rates (NDR)

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

43 Non-operational assets

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

44 Operating lease

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

45 Operational assets

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

46 Past service cost (pensions)

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

47 Pension scheme liabilities

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

48 Precept

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

49 Prior year adjustment

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

50 Provision

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

51 Public Works Loan Board (PWLB)

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

52 Rateable value

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

53 Related parties

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

54 Related party transactions

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

55 Remuneration

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

56 Reserves

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

57 Residual value

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

58 Retirement benefits

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

59 Revenue expenditure

The day-to-day expenses of providing services.

60 Revenue support grant

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

61 Stocks

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

62 Temporary borrowing

Money borrowed for a period of less than one year.

63 Useful economic life (UEL)

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