

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

**2022/23 ACCOUNTS**



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# Essex County Fire & Rescue Service Introduction



## Police Fire and Crime Commissioner's Introduction

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



Essex County Fire and Rescue Service (“the Service”) has had a busy year across all its prevention, protection, and response services. The summer heatwave caused a significant surge in fires and one of the busiest periods in recent memory. The Service responded well and was able to maintain its service levels while supporting colleagues across the Eastern Region. Due to a vast effort, the Service was one of the few faced with these challenges that didn’t have to call a critical incident or reduce the level of provision available. This was a huge achievement in a demanding situation.

During this period of high demand, it was a combined ability to work together which made a real difference, from staff members stepping into contingency roles, to local farmers creating firebreaks and the ambulance service providing extra support to crews, it was a true team effort.

The impact of the hot and dangerous summer is reflected in the overall rise of incidents attended during the year; a total of 17,571 incidents compared to 15,418 in 2021/22. This includes a significant increase in the number of actual fires which rose from 3,744 in 2021/22 to 5,235 during 2022/23. There was also a significant increase in false alarms with 7,083 during the year compared to 6453 in 2021/22.

It was also of significant concern that the number of accidental dwelling fires increased from the 725 we had across Essex in 2021/22 to 782 in 2022/2023. While this is still below the level seen in 2019/2020 and earlier, it is disappointing that these incidents increased. It is also worrying that we had four fatalities during the year.

Each life lost is a tragedy and leaves an indelible mark on families, neighbours, and whole communities. Speaking to firefighters who have attended these tragic events, you get a real sense of how preventable some of these incidents are. From a lack of working smoke alarms to personal or environmental issues that unnecessarily increased the risk to that person; these are things we can collectively do something about.

We know that factors such as being less mobile, living alone, drinking, smoking, having poor hearing or suffering from mental health issues can significantly increase the chance of dying in a fire. The Service has done excellent work examining the causes of historical fatal fires and identifying what happened and what could be done about it. This has helped to inform the work we can do with partners to reduce the risk to the most vulnerable in our communities and, together, prevent these tragic cases from happening. Unsurprisingly, it identified that a lack of data sharing between agencies means that information highlighting individuals at risk is not shared and therefore appropriate action is not taken. Improving this situation must be a priority for all agencies involved. Although we are making progress, when hearing directly from those who attend these tragic incidents, it is clear we need to work faster and with more urgency.

As well as collaborating with our partners in health and local councils to encourage them to share data, we are also working directly with communities to reduce risk and prevent fires. A key aspect of this strategy is through delivery of our Home Safety Visits. It is reassuring that over the last year we have been able to deliver 8,585 visits to some of the most vulnerable people in our communities. This is a significant increase from the 6,645 visits the Service undertook in 2021/22 and above the 7,718 visits undertaken in 2019/2020 prior to the COVID pandemic. It is during these visits that we can fit smoke alarms, including sensory alarms for people with hearing difficulties, and most importantly spot the signs that somebody is at increased risk and needs additional support. The more visits we do, the more we can target those people most at risk of fire and the more people we can protect, and the fewer people will die in our community.

My ambition, which I know the Chief Fire Officer shares, is to significantly increase both the overall number of visits and our ability to target the visits we do to the most vulnerable in our society.

Another key area where we can make a real difference is through the growth and development of our protection services. In this area, we work with the owners of high-risk buildings to address the issues that residents face. Where necessary this involves us taking enforcement action and while our preference will always be to work with owners to address any issues that are highlighted, our primary focus will always be on the safety of our communities. As a country we have learnt some incredibly difficult lessons through the Grenfell tragedy and the subsequent inquiry that followed. We must now do all we can with what we have learnt to keep our communities safe.

Together with the Chief Fire Officer, and the entire Service, we are committed to increasing our capacity and ability in this vital area and making sure that in Essex we work hard with building owners to drive down risk and keep our residents safe. Over the last year we have reviewed our risk-based inspection process which is an evidence-based approach to selecting properties on a year-by-year basis to audit across the county. This has led to a reallocation of visits and new targets to ensure our resources are used to make the most impact. In 2022/23 we undertook 1974 risk-based inspections which is an increase on the previous year of 1157.

One of the significant challenges faced by the Service is that the number of trained fire inspectors nationally is far below the number required. This shortfall in trained officers has resulted in the Service investing in training and developing our inspectors in-house. We intend to increase this training to provide a strong pipeline of talented well-trained inspectors.

His Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) highlighted our protection service as an area where we need to improve. As a result, we have secured additional funding for the Service to invest and grow this programme. This investment is alongside additional investment in training and the modernisations of the Service's systems.

Over the last year, like the rest of the country, we have had to maintain a difficult balance between the need for additional investment and the well reported challenges faced by our residents due to the cost-of-living crisis. While this may have started due to the war in Ukraine and the subsequent impact on fuel prices, it is having a real impact across our communities in Essex.

Despite these challenges the public continue to strongly support investment in Essex County Fire and Rescue Service, and we were able to secure investment in the Service to help mitigate the cost of necessary and measured increases in staff costs, inflationary pressures on utilities and fuel costs while also continuing to invest in the development and progression of our service.

This investment by the public is making a difference and the Service is improving year on year. Since I became involved with them in 2017, the culture has improved significantly, as reflected in our recent HMICFRS inspection. The way the Service responded to COVID was exemplary and the recent response to the high demand in the summer was exceptional. Most importantly, we see every day a service where staff, firefighters and communities are working hard together to improve our response, to drive forward our prevention activity and build the best fire and rescue service in the country.

I would like to recognise the efforts made across the Service and by partners in driving forward this change and thank them all for their contribution. I would also like to thank Rick Hylton, our Chief Fire Officer, and his senior team for the leadership and aspiration for the Service.

## Written statements and Chief Finance Officer Narrative Report

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



I am pleased to share with you our Statement of Accounts for 2022/23. We have developed this report, so you understand how we are keeping you safe, protecting our communities, and how we are managing our budgets and spending our money.

Our mission is to make Essex a safer place to live, work and travel. All our people share a common goal in that we want to be one of the best fire and rescue services in the country. By continually raising our standards and improving what we do, we are providing the best protection we can to keep our residents, businesses, and visitors safe.

The economic situation within the year has created financial pressures on both our pay and non-pay budgets from inflation and pay costs. This is in addition to our ambition to invest in improving the service we operate in. It was key for us to secure a budget for 2023/24 that would enable us to fund this. Thanks to support from the Police, Fire and Crime Commissioner and our lobbying of central government we have seen our central grant funding increased in line with inflation and as well the Council Tax precept being raised, increasing our funding by around £2.3 million. Combine that with being able to deliver £1.1 million in efficiency savings in the 2023/24 budget, this has enabled us to set a balanced budget that will keep people in Essex safe, improve our services and further invest in our people and equipment.

Our Statement of Accounts outlines some of our key financial issues and shows that we continue to drive change, reduce risk, invest in prevention and protection, and continue to provide a first-class emergency response service – with our people at the centre of everything we do.

#### **We are good at understanding fires and other risks**

In July 2022, we were inspected as part of an inspection programme for all UK fire and rescue services. His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) published its report into our effectiveness, efficiency and how well we look after our people.

We were assessed on how effective we are at preventing, protecting against and responding to fire and other risks, whether we provide value for money and how well we look after our people and ensure fairness and diversity.

Although the report rated that we required improvement across the three areas of assessment, it recognised that we are good at understanding fire and other risks. One area highlighted was our improvement in promoting the right values and culture to our people. This was graded as inadequate in an earlier inspection. We still have a long way to go but I'm pleased that the work we are doing to embed and promote the right values and culture has been recognised. A key part of this has been adopting and embedding our Core Code of Ethics which support Service values, culture and behaviours.

**Our People**

Our people are the heart of our Service, and they are our greatest asset. This year we have continued to attract and recruit new talent. We opened wholtime firefighter recruitment in October 2022 and we continue to receive a high number of applications. Between April 2022 and March 2023, we received over 2800 applications for our various opportunities, and from those applicants we welcomed 34 new wholtime firefighters, 91 new on-call firefighters, 7 new Control operators, and 51 new employees in our support teams.

We have held four pass-out parades for firefighters and control room staff, held events for our on-call firefighters, as well as holding our annual staff awards where we celebrated the achievements of 134 colleagues. Thirty-two of our staff members were also recognised for 20 and 30 years plus dedication to the community at our long service and good conduct awards. Awards were also given based on achievements in ethics, values, and behaviour.

Our Service Headquarters was the venue for three collaborative events and conferences involving all our blue light partners to mark International Women's Day, International Men's Day and International Day Against Homophobia, Biphobia, Intersexism and Transphobia.

On-call firefighters from Epping Fire Station, Green Watch from Rayleigh Weir Fire Station and Station Manager Syd Barratt also received Chief Fire Officer Commendations for saving the lives of members of the public.

Alongside this, two dedicated colleagues from our Service were recognised in the Queen's Platinum Jubilee Honours list. Roger Pickett, a former firefighter who recently retired after 44 years' service and created the Essex Fire Museum, and Derek Whitbread, an on-call firefighter who has served Epping for 47 years received the British Empire Medal. Station Manager Terry Jewell was awarded an MBE by His Majesty the King in the New Year 2023 Honours list for his services to International Search and Rescue in his 30 years plus career as a firefighter.

We won a national award in the Excellence in Fire and Emergency Awards 2022 for our work towards inclusion for LGBTQ+ staff. Firefighter Matt Hill won the Most Influential LGBTQ+ Individual in Fire Award and Donna Bentley, our Head of Safeguarding, was shortlisted for the Most Influential Woman in Fire Award.

Our gender pay gap has decreased over the last year, but we do have an average gender pay gap of 1.02%. The fire and rescue service as an industry is still male dominated across the UK. At our Service, three-quarters of the overall workforce is male. So, although we can confidently say our non-discriminatory pay process results in equal pay, it is more challenging to reduce the gender pay gap when there is a disproportionate number of men in an organisation.

When we began reporting in 2018, the gap was 15.6%. This huge decrease is a testament to the work we've done in creating a more diverse workforce, which is a key factor in reducing the gender pay gap, but we know there is still more than can be done.

We will continue with a programme of positive action in recruitment in our commitment to achieving a workforce that is more reflective of our communities. In partnership with the Asian Fire Service Association, we hosted a collaborative event for large employers from the public and private sector in Essex which brought diverse expertise and voices to the table to discuss positive action and share learning.

We will continue to work with our employee networks, partners and stakeholders to gain feedback and understand how we can bring about positive change based on feedback from colleagues.



Our key strategic decisions including consideration of our Core Code of Ethics and, through People Impact Assessment, ensure we have given due regard to the potential impact of decisions on all people. Our most recent change was to enhance maternity leave and pay, which sees full pay for the first 26 weeks, and is a prime example of where our diversity networks have championed positive change within our Service which will make a real difference to people's lives.

We have introduced our Transitioning at Work guidance – a commitment we are making as a Service to ensure that transgender and non-binary colleagues are treated with dignity and respect and are not disadvantaged in the workplace. The guidance, which has been developed with the support of our representative bodies, sets out the steps our Service takes to prevent discrimination.

This year we signed the Armed Forces Covenant, to formally pledge our support to members of the Armed Forces community. The covenant recognises our commitment to ensure the fair treatment of all staff who have served, or will serve in the Armed Forces, and their families. Many serving and former Armed Services personnel already work within our Service across a range of departments including both operational and support roles.

I want our Service to be one of the best fire and rescue services in the UK. I want all our people to work in a high performing and inclusive environment. It's what everyone deserves. Being the best means our communities are safe, our partners are supported and engaged, and our people can thrive.

#### **Keeping our communities informed**

We are committed to engaging with our communities and being open transparent and accessible with information about our Service and what we are doing to keep people safe.

In December we launched our new website which is fully accessible and easier for people to use and find information about our work and incidents.

This data snapshot shows the effect this is having already:

#### ***Booking a home safety visit:***

1 Dec – 28 Feb 2022: 1,358 visits (old website)

1 Dec – 28 Feb 2023: 3,938 visits (new website)

#### ***Home safety advice (10 top tips):***

1 Dec – 28 Feb 2022: 313 visits (old website)

1 Dec – 28 Feb 2023: 1,599 visits (new website)

#### ***Candle safety:***

1 Dec – 28 Feb 2022: 19 visits (old website)

1 Dec – 28 Feb 2023: 261 visits (new website)

This year our fire stations were once again able to open their doors to the public for open days during the summer, as well being community spaces during the winter to help some of our most vulnerable residents keep warm if they needed to during the cold snap. Thousands of people from across the county were able to meet our firefighters and support staff, find out about home fire safety, recruitment, careers and just talk to us.

Our prevention and protection teams also organised and held safe, well, secure events in some of our most vulnerable council wards in each local Service area across the county. They worked in partnership with other services and agencies to deliver information and advice to residents to help keep them safe.

**How we are keeping our communities safe**

Record-breaking temperatures and thousands of extra calls and incidents; 2022/23 was a year like no other for our Service.

In total, we attended over 5,000 fires, over 1,000 road traffic collisions and over 7,000 false alarms but it was the incidents related to extreme weather that proved the most challenging.

2022 was the joint warmest summer on record in England and the driest since 1995. It resulted in an incredibly busy two months for our Service. In July and August, we received more than double the average 999 calls and attended 5,000 incidents - around twice as many as the same time the previous year.

In addition to these large incidents, firefighters extinguished countless other fires, rescued people, and animals from a wide variety of situations and supported partner organisations and emergency services across the county and beyond.

It is not just incidents we spend our time on. We have carried out over 8,000 fire safety visits to the public, over 1,900 inspections (1,628 at high risk and very high properties) and audits at commercial properties and over 126,000 school-aged children benefitted from education visits.

We have achieved a huge amount during 2022/23 and despite extra pressures and challenging situations, we have continued to work incredibly hard to keep the people of Essex safe. Our people are our service and their achievements and commitment have been outstanding this year.

Next year will have its own challenges. The cost-of-living crisis shows no sign of easing and our communities, and our people are feeling this in many aspects of their lives. We already have some idea of how this might increase risk within our county, so we are working hard, alongside our partners, to support our most vulnerable residents.

Following this year's extreme weather-related incidents, we are planning and taking on our learning to prepare for similar incidents this summer.

I'd like to say thank you to all our communities for the continued support they give to all of us at Essex County Fire and Rescue Service. Whether that has been following our safety advice, coming to our charity car washes and open days or passing on details of a vulnerable neighbour or person for us to visit. How ever you have supported us this year, thank you.

### 3. Chief Finance Officer's Narrative Report



#### Introduction

This Statement of Accounts explains the Authority's finances during the financial year 2022/23 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 2022/23 comprise:

The Comprehensive Income and Expenditure Statement (Page 51): This is in two sections; the first section shows the net surplus or deficit on the provision of services as a result of income received and expenditure incurred over the financial year. The second section shows any other changes in net worth not included in the first section. Examples here will include any surplus or deficit on the current value of property, plant and equipment and the remeasurement of the net defined benefit liability.

#### The Movement in Reserves Statement (MIRS) (Page 52):

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

#### The Balance Sheet (Page 53):

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

#### The Cash Flow Statement (Page 54):

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

#### Firefighters' Pension Fund (Page 93):

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

#### 4. Revenue Budget and Expenditure

The Authority's published budget for 2022/23 showed net expenditure before funding of £84.14m which is available [here](#).

The Authority's core budget spend before funding is £82.16m. The budget included a 2% pay award for all staff.

In addition, the Authority committed £1.98m from Earmarked Reserves to fund one-off investments making a total budget spend of £84.14m.

2021/22		2022/23		2022/23		2022/23		2022/23		2022/23
Actual	Description	Core	Earmarked	Total	Core	Earmarked	Total	Core	Earmarked	Total
£'000		Actual	Actual	Actual	Budget	Budget	Budget	Budget Var	Budget Var	Budget Var
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
35,489	Wholetime Firefighters	35,647	999	36,646	35,475	863	36,337	(172)	(137)	(309)
7,561	On-Call Firefighters	9,384	-	9,384	7,263	-	7,263	(2,121)	-	(2,121)
1,575	Control	1,729	-	1,729	1,604	-	1,604	(125)	-	(125)
15,605	Support Staff	16,187	535	16,750	16,018	714	16,732	(169)	178	(19)
<b>60,229</b>	<b>Total Employment Costs</b>	<b>62,947</b>	<b>1,534</b>	<b>64,510</b>	<b>60,361</b>	<b>1,576</b>	<b>61,937</b>	<b>(2,587)</b>	<b>42</b>	<b>(2,573)</b>
2,360	Support Costs	1,811	429	2,240	1,604	300	1,904	(206)	(129)	(336)
10,346	Premises & Equipment	11,476	158	11,606	10,106	-	10,106	(1,369)	(158)	(1,500)
3,146	Other Costs & Services	3,981	305	4,287	3,425	100	3,525	(557)	(205)	(762)
2,212	Ill health pension costs	2,287	-	2,287	2,184	-	2,184	(103)	-	(103)
5,229	Financing Items	5,379	-	5,379	5,897	-	5,897	518	-	518
23,293	<b>Total Other Costs</b>	<b>24,934</b>	<b>893</b>	<b>25,799</b>	<b>23,217</b>	<b>400</b>	<b>23,617</b>	<b>(1,717)</b>	<b>(493)</b>	<b>(2,182)</b>
83,523	<b>Gross Expenditure</b>	<b>87,881</b>	<b>2,428</b>	<b>90,309</b>	<b>83,578</b>	<b>1,976</b>	<b>85,554</b>	<b>(4,304)</b>	<b>(452)</b>	<b>(4,755)</b>
(1,650)	Operational Income	(2,291)	-	(2,291)	(1,415)	-	(1,415)	876	-	876
<b>81,871</b>	<b>Net Expenditure before Funding</b>	<b>85,590</b>	<b>2,428</b>	<b>88,018</b>	<b>82,162</b>	<b>1,976</b>	<b>84,138</b>	<b>(3,428)</b>	<b>(452)</b>	<b>(3,879)</b>
	<b>Funding</b>									
(7,772)	Government Grants	(9,753)	-	(9,753)	(7,549)	-	(7,549)	2,204	-	2,204
(8,511)	Revenue Support Grant	(8,780)	-	(8,780)	(8,780)	-	(8,780)	-	-	-
(16,901)	National Non-Domestic Rates	(16,416)	133	(16,283)	(16,519)	-	(16,519)	(103)	(133)	(236)
(80)	Council Tax Collection Account	(783)	-	(783)	-	-	-	783	-	783
(47,796)	Council Tax Precept	(49,384)	-	(49,384)	(49,315)	-	(49,315)	69	-	69
3	Council Tax Collection Impact	(3)	1,329	1,326	-	-	-	3	(1,329)	(1,326)
<b>(81,058)</b>	<b>Total Funding</b>	<b>(85,119)</b>	<b>1,462</b>	<b>(83,658)</b>	<b>(82,163)</b>	<b>-</b>	<b>(82,163)</b>	<b>2,957</b>	<b>(1,462)</b>	<b>1,495</b>
814	<b>Funding Gap / (Surplus)</b>	<b>470</b>	<b>3,889</b>	<b>4,360</b>	<b>(0)</b>	<b>1,976</b>	<b>1,976</b>	<b>(470)</b>	<b>(1,913)</b>	<b>(2,384)</b>
135	Cont'ns to/(from) General Bals	-	-	-	-	-	-	-	-	-
(1,737)	Cont'ns to/(from) Earmarked Reserves	-	(3,890)	(3,890)	-	(1,976)	(1,976)	-	1,914	1,914
<b>(787)</b>	<b>Net Funding Gap / (Surplus)</b>	<b>470</b>	<b>(0)</b>	<b>470</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>(470)</b>	<b>0</b>	<b>(470)</b>

The position at the end of year was a deficit of £4.36m, of which £3.89m was funded from Earmarked Reserves. This is set out within the table below which compares actual net expenditure with the approved budget:

The Authority's total expenditure was £88.0m against total funding of £83.7m. £3.9m was funded from Earmarked Reserves and £0.5m was funded from General Reserves.

#### Funding

60% of the Authority's funding is from the Council Tax collections across the districts in Essex, and the unitary authorities of Southend-on-Sea and Thurrock. Council tax income has been based on the Commissioner's proposal of an increase in the precept of 1.95%, which was agreed at the Essex Police, Fire and Crime Panel on 3 February 2022. The precept payable

for a Band D Council tax property increased from £73.89 to £75.33, a change of £1.44 per year.

The balance of funding is provided by central government, through a share of non-domestic rates, revenue support grant and other specific grants (which include Pensions, Business Rates Relief and support the Authority's Urban Search and Rescue unit).

In the year, Core Funding was £2.36m higher than the prior year as a result of:

- £2.2m of additional government grants, which was primarily a result of unplanned S31 grants for Business Rates Relief.
- £0.7m of additional council tax receipts resulting from a surplus in the council tax collection account.
- (£0.1m) reduction in the National Non Domestic Rates collections.

### **Expenditure**

Core Employment Costs for 2022/23 were £62.95m which is an overspend of £2.59m compared to Core Budget.

The impact of unbudgeted pay awards in the year was £1.60m. A 7% pay award was agreed in March 23 for Operational Staff (backdated to 1 July 22) which created a £1.22m in year financial pressure. Non Operational Staff agreed a pay off in November 22 (backdated to 1 April 2022) which resulted in an increase of every scale point by £1,925. This has created an additional financial pressure of £0.38m.

The impacts of these pay awards have been offset by underspends in employment costs from being under-established and having lower pension and secondary contract costs.

The cost of On Call Firefighters are £2.1m over budget this year. In addition to the pay award pressure, there has been a significant increase in activity within the year which is driving this increase in cost.

Core Total Other Costs (Non-Pay) for 2022/23 are £24.93m, which is £1.72m higher than the Core Budget for the year, with the key variances being:

- £1.36m Premises & Equipment Costs which is resulting from the economic impact on utility and mileage costs (£0.9m) and also in increase in higher Information Systems costs (£0.4m).
- £0.56m Other Costs driven by increases in consultancy costs.
- £0.1m ill Health Pension Costs due to 2 additional claims in the year.
- (£0.52m) - underspend in the year is in Financing Items which relates to the revenue provision for capital financing (MRP) which was £0.52m under budget. This is primarily as a result of the underspend in the Capital Programme.

### **Earmarked Reserve Expenditure**

£3.89m was spent from Earmarked Reserves in the year, which was £1.91m higher than budget.

£1.33m relates to the 2021/22 National Non Domestic rates deficit which is funded from a specific Earmarked Reserve.

**Reconciliation between Management Accounts and final Statutory Provision of Fire Service per the Comprehensive Income and Expenditure Statement**

The table below reflects the movements and reclassifications between the Management accounts and the final Statutory Provision of Fire Service per the Comprehensive Income and Expenditure Statement (page 49):

2021/22 Reconciliation to the Provision of Fire Services per £000 the Comprehensive Income & Expenditure Statement	2022/23 £000
Total Net Expenditure per Service Revenue Account as above	88,018
<b>Add adjustments not reported to management:</b>	
4,307 Depreciation	4,620
(5,211) Specific grant income	(5,385)
(700) Capital accounting entries	92
(2,119) IAS19 Pension adjustment	(7,361)
441 Holiday pay accrual	84
<b>(3,282) Total</b>	<b>(7,950)</b>
<b>Less amounts not part of the Provision of Fire Services in the Comprehensive Income and Expenditure Statement:</b>	
(1,173) Interest payments	(1,164)
34 Investment income	465
(3,950) Capital financing provision	(4,100)
<b>(5,089) Total</b>	<b>(4,800)</b>
<b>Provision of Fire Services per Comprehensive Income &amp; Expenditure Statement</b>	<b>75,268</b>

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

Adjustment	Description
IAS 19 Pensions	The pension liabilities of the Authority are revalued annually in accordance with IAS 19. These adjustments are not reported in the Service Revenue Account, as they do not arise from 'business as usual' activity.
Interest Income and Expenditure	Interest Income and Expenditure is reported separately to the Provision of Fire Services in the Comprehensive Income and Expenditure Statement.
Depreciation, Capital Financing Provision, and Capital Accounting Entries	Depreciation is charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 16.  This is different to the Capital Financing Provision charged to the reported to management, which represents amounts set aside for the repayment of borrowing.  Impairments are not reported in the Service Revenue Account as they do not arise from 'business as usual' activity.

Specific Grant Income	Specific grant income is shown within the Provision of Fire Services in the Comprehensive Income and Expenditure Statement.  This is reported as Funding in the Service Revenue Account, so not included in Net Expenditure.
Other Adjustments	These are other statutory adjustments not reported to management.

## 5. Capital

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

2022/23	Actual Capital	Budget	Variance
	Expenditure	Capital	(overspend)/underspend
	£000	£000	£000
Property	3,034	3,875	841
Vehicles	1,105	2,021	916
Information Systems & Equipment	704	3,842	3,138
<b>Total capital payments</b>	<b>4,843</b>	<b>9,738</b>	<b>4,895</b>
Capital Receipts and Earmarked Reserves	375	4,526	4,151
Other Internal Resources - Minimum Revenue Provisi	4,468	5,212	744
<b>Total capital funding</b>	<b>4,843</b>	<b>9,738</b>	<b>4,895</b>

The total capital expenditure for the year is £4.843m. In the year, the Authority invested £3.03m in our property portfolio mainly on fire stations and training facilities. This included £1.01m for the redevelopment of Shoeburyness Fire Station which will be completed in 2023/24 and £1.12m for the refurbishment and modernisation of Breathing Apparatus (BA) training facilities fire stations across the County.

The budget for 2022/23 included £1.76m for Fire Appliances. Nine of these Fire Appliances were delivered and brought into use in 2022/23, with the remaining appliance delivered in 2023/24.

The Information Systems & Equipment budget was £3.8m for the year. This includes £1.9m relating to the new Control System Project. This expenditure will be recognised in the new year due to a delay in the system implementation until 2023/24.

Also included in the budget was £1.1m relating to expenditure on new networks. The final capital costs of this project are anticipated to be £0.6m of which £0.4m has been incurred at the year end date.

As part of the On Call Conversion Programme, the Authority is selling any surplus day crew houses. In the year the Authority generated capital receipts of £2.90m relating to the sale of day crew housing. The proceeds which will be invested in the future capital programme, in line with the Authority's Capital Strategy.

## 6. Events after the Balance Sheet date

There are no events to report.

**7. Borrowing**

The Authority undertakes long term borrowing, for periods in excess of one year, in order to finance its capital spending. The Authority has total loans at year end of £23.5m (£23.5m long term). These are all provided by the Public Works Loans Board. There was no new borrowing in the year.

The Authority had set a limit of £40.0m for external debt in the year.

**8. EFA (Trading) Limited**

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

**9. Risk Protection**

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

The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority makes an annual contribution to the company, the total expense in 2022/23 being £600k (£608k 2021/22).

**10. Accounting policies**

Accounting policies are the principles, bases, conventions, rules and practices applied which specify how the financial effects of transactions are reflected in the financial statements. The accounting policies adopted by the Authority comply with the Code of Practice on Local Authority Accounting United Kingdom 2022/23.

**11. Financial Climate and impact on Services**

The current economic situation is creating a more unstable environment for the Authority. A core part of the problem is the increasing rate of inflation.

The latest quarterly Bank of England Monetary Policy Report was published on 9th February 2023. The key points from the report are shown below:

- The UK long term inflation target remains at 2%.
- The UK rate of inflation is 10.5%. This is being driven by the increase in energy prices and the increase in the prices of goods purchased from abroad.
- The rate of inflation is expected to fall to 4.5% in mid-2023.
- Inflation is expected to fall next year and to be 3.25% in around 3 years' time.
- The interest rate has been increased into order help inflation return to the 2% target.

Inflation will continue to put pressure on the Authority's budget in the short term. The Authority has included a sensitivity analysis in its Medium Term Financial Strategy, to ensure that it has sufficient resources to deal with these cost pressures and can continue to deliver the objectives of the Fire and Rescue Plan.



## 12. Budget 2023-24 and Medium Term Financial Strategy

### Budget 2023-24

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 Core Budget for 2023/24 is £88.4m, which was an increase of £6.3m from 2022/23.

The Authority identified the following areas of investments which total £1.3m:

- £0.5m On Call Firefighters - The Authority has been successful in recruiting over 170 on call fire fighters since 2019. However, it can take up to three years to fully train a firefighter, investment in additional training is critical. This creates a cost implication to increase time and training available to these staff or face the risk of fire appliances not being available.
- £0.3m Training Roles - To assist in the support of staff to obtain and maintain operational competence, additional resources are being secured in the form of Breathing apparatus and Driving instructors.
- £0.3m On Call Liaison Officers (OCLO's) - The Authority has piloted the use of OCLO's to assist in supporting the recruitment and retention of on call colleagues. Due to the success of this pilot, it is the Authority's intention to substantiate the posts.
- £0.1m Resource Management Unit (RMU) – This is an investment in resources which will improve the planning of operational availability, which in turn will enable more efficient and proactive planning and decision making.

In addition to these important investments, the current cost of living pressures has had a significant impact on the Authority's budget and has created further budget pressures for 2023/24 in excess of £6m.

The includes £5m of pay pressures driven by the full year effect of the unbudgeted pay awards in 2022/23, a 4% pay award for all staff in 2023/24 and additional pension charges as a result of the deficit in the LGPS pension scheme.

Non-Pay Pressures that total £1.1m, which is primarily driven by the increasing cost of Utilities along with an increase in ICT costs.

In order to ensure that the Authority creates a balanced budget, the Authority continues to work hard to drive better service efficiencies and £1.1m of savings have been included within the Core Budget for 2023/24.

On 19 December 2022, the provisional local government finance settlement was published by the Department of Levelling up, Housing and Communities (DLUHC) for 2023/24 and 2024/25. The statement confirmed that for 2023/24:

- The Council Tax Referendum Principle for standalone Fire and Rescue Authorities (FRAs) will be £5 for 2023/24.
- The Revenue Support Grant will increase by the September 2022 CPI measure of inflation, which is an increase of 10.1%. This resulted in a £0.98m increase for the Authority. There was also an increase in the baseline level of National Non-Domestic rates. The total impact of this was a £1.5m increase in funding for the Authority.
- The Services Grant that was created in 2022/23 would continue into 2023/24, however this will be reduced from £1.1m to £0.6m. Part of the Services Grant was to originally compensate Authorities for a proposed increase in National Insurance Contributions

in 2022/23 and the as this is no longer going ahead, the level of the Service Grant has been reduced.

The Local Government Finance Settlement was finalised on 6 February 2023 with no changes.

The 2023/24 precept proposal was presented to the Essex Police, Fire and Crime Panel on 7th February 2023, where a below inflation increase in the precept of £4.95 (6.57%) was approved. As a result, the Council Tax Precept was increased by 6.57%. The precept payable for a Band D Council tax property increased from £75.33 to £80.28, a change of £4.95 per year. Total council tax receipts will increase by £4m in 2023/24, of which £3.2m relates directly to the change in the precept. The remaining amount of £0.8m is due to an increase in the Council Tax base.

The budget for 2023/24 is available [here](#).

### **Medium Term Financial Strategy**

Our Medium Term Financial Strategy (MTFS) reflects the impact of spend over the next 3 years. It ensures that we work as a value for money organisation, and that we demonstrate our efficiency and effectiveness. Our approach to budgeting is sustainable and ensures that we meet the needs of our communities across Essex.

The Authority's latest MTFS shows a balanced position with no use of General Reserves. The MTFS is continually reviewed and updated throughout the year. Each quarter it is reported to the PFCC through the Strategic Board.

Since agreeing the 2023/24 budget and MTFS, a grey book pay award was agreed on 6 March 2023. This was for a 7% pay award for 2022/23 (backdated to 1st July 22) and 5% for 2023/24. This is in excess of the amounts budgeted for 2023/24 and the Authority will need to identify plans for further efficiencies to ensure that there is no budget gap.

The Authority will be profiling our expected mid-term savings from our transformational plans alongside identifying additional in year savings via our Productivity and Efficiency Board.

Following the announcement of the provisional local government finance settlement, the Minister of State for Crime, Policing and Fire wrote to all Fire and Rescue Authorities on 9th January 2023 requesting that all Standalone Fire and Rescue Authorities publish an efficiency and productivity plan for the financial year 2023/24. The Productivity and Efficiency Plan is available [here](#).

### **13. Risks and uncertainties**

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

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

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

**14. Environmental matters**

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

**15. Employees**

As at 31 March 2023 the Authority employs 1,512 people (2022: 1,525) comprising 616 wholetime (2022: 635), 515 on call firefighters (2022: 525), 42 control staff (2022: 40) and 339 support staff (2022: 325). We aim to ensure that our employment policies reflect best practice.

**16. Key performance indicators**

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

**17. Reporting cycle**

Budget review papers comparing actual spend against budget for both capital and revenue expenditure are prepared on a monthly basis for both management and the Police, Fire and Crime Commissioner. These reports are reviewed at monthly meetings of both the Service Leadership Team and the Performance and Resources Board.

These papers are published with the papers for each meeting and are available at: <http://www.essex.pfcc.police.uk/performance-resources-board-essex-fire-rescue-authority/>

**18. Governance**

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

**19. Significant interests held by members and Senior Officers**

The Authority 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 Authority Monitoring Officer, Pippa Brent-Isherwood. Tel: 01245 291613, e-mail: [pippa.brent-isherwood@essex.police.uk](mailto:pippa.brent-isherwood@essex.police.uk).

**20. Glossary**

A glossary of accounting terms is provided on page **95** to assist the reader.

**21. Further information**

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

Neil Cross

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

**Statement of Responsibilities for the Statement of Accounts**

The Police, Fire and Crime Commissioner is required to:

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

I certify that these accounts were considered and approved on 03 July 2024.

Roger Hirst  
Police Fire and Crime Commissioner

The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

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 2023 and its income and expenditure for the year ended 31 March 2023.

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

Date: 03 July 2024

## Governance Statement

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



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

Crime Commissioner Fire and Rescue Authority (PFCC FRA) replaced the Essex Fire Authority.

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

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

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

**Executive Summary**

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

**Purpose and Context****Purpose and Scope**

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

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

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

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

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

**The Fire and Rescue Plan**

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

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

We need a plan for a Fire and Rescue Service in Essex which ensures we can help people to stay safe, reduces the number who are killed or seriously injured and minimises the damage to property and businesses. I have developed this plan with input from all those groups and individuals who work in, alongside and with Essex County Fire and Rescue Service. The priorities in the plan reflect what the people of Essex expect from their fire and rescue service.’

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

**Service-Level Governance**

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

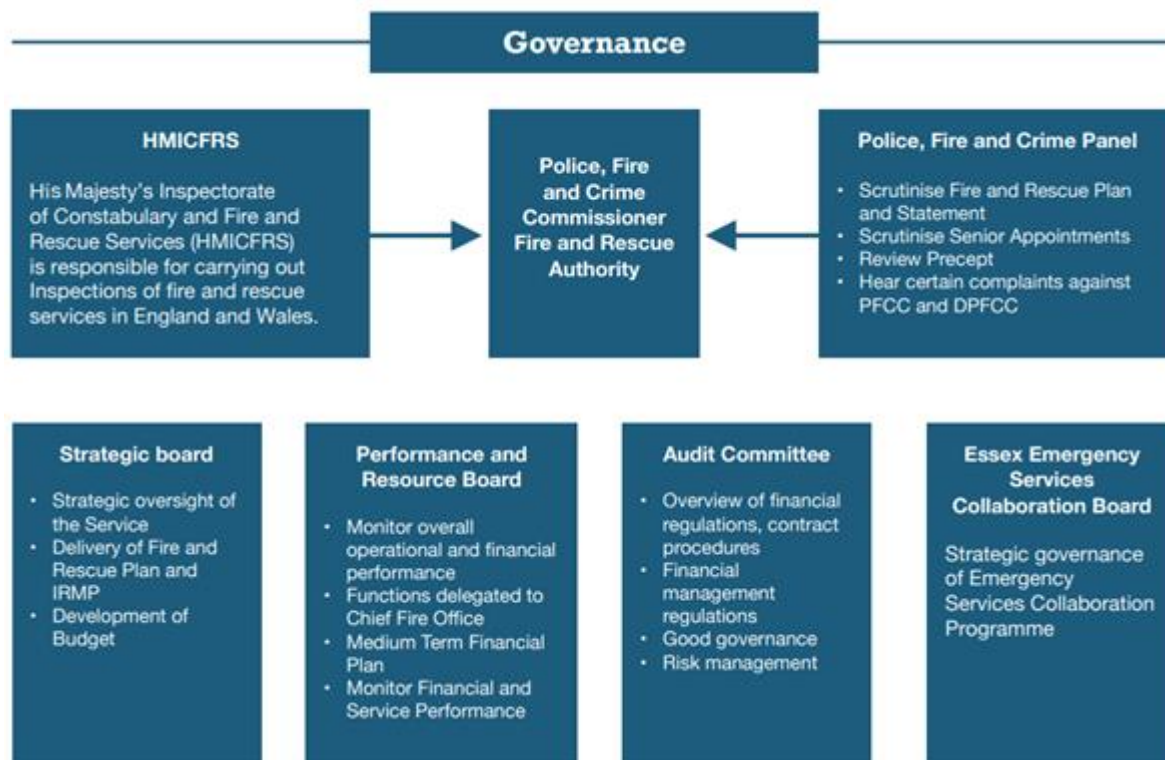
**Corporate Governance Structure**

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

These boards have no decision-making powers. A decision made by the Commissioner is only considered to be taken, and as such may only be acted on by officers, once the relevant decision report has been signed by the Commissioner or their Deputy. All decisions taken (unless subject to security restrictions) will be published for transparency on the Commissioner’s website. The decisions and actions of the Commissioner are scrutinised by the Essex Police, Fire and Crime Panel which is made up of elected representatives from each district, borough, city and unitary authority in Essex plus two independent members.

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

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



**Governance Framework**

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

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



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

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

The arrangements in place that demonstrate this principle are:

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

## Principle B – Ensuring openness and comprehensive stakeholder engagement

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

The processes in place that demonstrate this principle are:

- The [Annual Report](#) is used to communicate the overall strategy and performance of the Authority to the public.
- The Authority participates in the [Freedom of Information](#) Act Publication Scheme to ensure transparency with the public.
- [Authority website](#) – Meeting minutes of the Authority and its governance boards are accessible to the public alongside agendas and committee papers.
- **Press and Media Guidance** is published on a regular basis to ensure we engage with our stakeholders.
- The **Corporate Communications, Marketing and Brand Strategy** sets the strategic direction for communications, marketing, and brand, and explains clearly what our staff, volunteers, public and other stakeholders can expect from us. It outlines our principles, key areas of focus, and how we measure and assess if we are doing a good job. It clearly identifies how our communication focus delivers against the Fire and Rescue Plan objectives, and the associated Authority priorities. The strategy was reviewed and updated during 2022/23.
- The Authority has numerous **governance boards** in place to ensure decision making is conducted effectively and transparently (appendix 1).
- There is a good history of **public consultation** over significant issues affecting the community and external stakeholders. Any proposals for significant change to service delivery affecting the public will be supported by a consultation process.
- The Authority **engages its staff** through regular manager briefings as well as initiatives such as the CFO's "Ask Me Anything" sessions.

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

The PFCC completed their annual public survey on the precept for the following year between 17 October and 1 December 2022. 2,349 people responded to the questions relating to the fire and rescue service. Of those respondents, 71% who gave a view were prepared to pay an increase of £5 or more, and 45% who gave a view were prepared to pay an increase of £7.50 in order to allow the Authority to continue to invest in its improvement programme. This informed the Commissioner's proposal (approved by the Police, Fire and Crime Panel on 7 February 2023) to increase the precept by £4.95 (6.57%) for a Band D property for 2023/24.

Since taking office the Commissioner has held public meetings at least once a year in each of the 14 districts and unitary areas, where the people of Essex are able to challenge the Commissioner on how he is holding the Chief Fire Officer / Chief Executive to account for the delivery of fire and rescue services. The COVID-19 pandemic meant that this engagement was hosted online during 2020/21 and 2021/22, with the result that it reached a much larger and more diverse audience than traditional methods. Post-pandemic, the Commissioner's approach to public engagement has therefore included a combination of face to face and online events. Notes of each of the meetings are made available on the Commissioner's website, along with issues raised at each of these events and any subsequent outcomes. The Commissioner also meets regularly with local Councillors and MPs to afford other elected representatives the opportunity to raise any concerns or offer any suggestions in relation to fire and rescue services in Essex.

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

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

- The [Fire and Rescue Plan 2019-24](#) sets out the Authority's vision and priorities, including measurable outcomes in the form of performance measures and indicators.
- The [Integrated Risk Management Plan](#) sets out the activities that the Authority needs to undertake to deliver against the priorities within the Fire and Rescue Plan to ensure the continued safety of communities following a comprehensive understanding of risk.
- The [Performance and Resources Board](#) receives regular and structured performance reports against all aspects of the Authority's priorities. The risks of not achieving the Authority's priorities are identified and managed through strategic leaders and reported via the [Independent Audit Committee](#), where regular structured reports are considered and supported by the risk management systems.
- The **Capital Programme** aligns to the Integrated Risk Management Plan. In support of longer-term planning there are number of associated plans in place (e.g., property, ICT, fleet). A revised property strategy for land and buildings has been developed.
- We have also developed a new **Environmental Strategy**, in partnership with Essex Police to support sustainability.
- The [Procurement Strategy](#) was approved in 2022/23, setting out the Authority's vision to procure goods and services to meet the needs of Essex County Fire and Rescue Service, whilst providing value for money and compliance to all applicable procurement legislation and internal governance arrangements.

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

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

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

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

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

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

- The **People Strategy** is a key document to delivering the Fire and Rescue Plan. The six strands of the strategy (pictured below) ensure that the Authority can attract, retain, and develop people to deliver our services.
- Workforce succession and development needs are identified within our **strategic workforce plan**.
- The Leadership Development Programme, Core Learning Pathways, coaching and the [Leadership Resourcing & succession programme](#) ensures that colleagues have all the support they need on their career journey.
- **Health and wellbeing** is a core pillar of the People Strategy, which promotes a positive working environment to reduce stress and increase engagement and performance.
- The Authority offers a range of pathways into employment including apprenticeships and internships <https://join.essex-fire.gov.uk/jobs/apprenticeships/> to improve skills and productivity, as well as bring diversity of thought and new talent into the organisation.



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

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

- The [Audit Committee](#) provides independent assurance to the Authority that financial management internal controls are operating effectively.
- The **Chief Finance Officer** ensures the finances of the Authority are managed effectively as required by the statutory duties associated with section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015. The Chief Financial Officer is required to adhere to professional and ethical standards set by CIPFA.
- The [Integrated Risk Management Plan](#) ensures the Authority has identified and mitigates strategic risks. Risk management arrangements are integral to all aspects of the work, managed through a comprehensive strategic risk register.
- The **Risk Management Strategy** sets out how the Authority will manage risk to support delivery of the Fire and Rescue Plan, including by articulating the Authority's risk appetite. At the time of writing, the Risk Management Strategy, and associated Risk Appetite Statement, are under review.
- In January 2023, the Authority approved its first **Assurance Strategy**, which sets out the means through which it will ensure that the services delivered to the community and other stakeholders, both internally and externally, are effective and efficient, legally compliant and deliver improved outcomes.
- **Business Continuity Arrangements** are in place across all departments to ensure the Authority is resilient to interruptions that could adversely affect the delivery of services.
- **Performance management arrangements** are in place - The performance framework includes corporate targets and key performance indicators along with key activities to continue or strengthen performance. In addition, a 'deep dive' process is in operation, whereby the Authority undertakes detailed analysis of areas of performance and reports this to the Commissioner.
- The [Performance and Resources Board](#) scrutinises, supports and challenges the overall performance of the fire and rescue service including against the priorities agreed within the Fire and Rescue Plan and Integrated Risk Management Plan.
- The **Continuous Improvement Board** ensures continuous progress against organisational and national priorities, and that resources are being effectively and efficiently utilised.
- **Internal Audit** arrangements are in place to review the effectiveness of risk management, governance and internal controls. The internal control environment is further assessed as part of the annual **External Audit**.

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

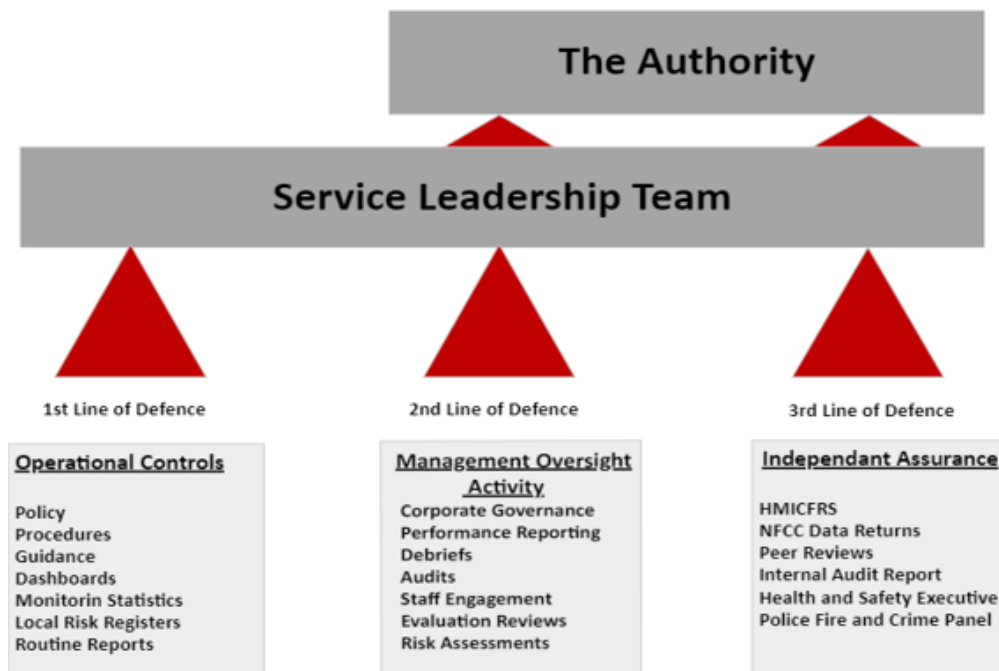
Accountability is about ensuring that those making decisions and delivering services are answerable for them.

- **Internal audit** services are provided by RSM UK and reported to the Audit Committee. Regulation 5 of the Accounts and Audit Regulations 2015 states that the Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance.
- **External audit** services are provided by Grant Thornton UK LLP. It provides an opinion on the financial statements of the Authority, as well as providing assurance that value for money has been delivered.
- His Majesty's Inspectorate of Constabulary and Fire and Rescue Services ([HMICFRS](#)) independently assesses the efficiency and effectiveness of the Authority. The Authority was subject to a full inspection by HMICFRS in 2021/22, the outcome of which is available [here](#). In January 2023, HMICFRS revisited the Authority to review progress against the cause of concern relating to delivery of the Authority's risk-based inspection programme (RBIP) and ensuring compliance with fire safety. Inspectors found that robust performance reporting and governance arrangements were in place to monitor progress against the plan and noted the introduction of a new RBIP with effect from 1 January 2023. Inspectors also acknowledged improvements made to workforce and succession planning to help manage the turnover of the Authority's fire protection staff. However, shortages in the number of competent inspecting officers continue to limit the number and frequency of inspections that can be carried out until new recruits complete their training and development. Consequently, the cause of concern remains open at this stage.
- The [PFCC](#) receives regular updates at the Performance and Resources Board and Strategic Board, which challenge the reporting and accountability of the Authority.
- A [Pay policy statement](#) is reported to the Strategic Board and published annually to ensure the Authority is transparent about the way staff are remunerated.
- [Transparency information](#) is published in accordance with the Local Government Transparency Code and the Elected Local Policing Bodies (Specified Information) Orders. The audit completed in December 2022 highlighted a need to update the information published on the Authority's website in relation to its workforce profile, organisational structure, senior staff salaries, items of expenditure exceeding £500 and contracts with a value exceeding £10,000. These issues are currently being addressed.

**Review Of Effectiveness**

**The Assurance Process**

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



**Review of Effectiveness**

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

**Internal Audit**

In addition, the Internal Auditor has a responsibility to review and report to the independent Audit Committee annually, to provide assurance on the adequacy and effectiveness of the Authority’s arrangements for governance, risk management and control. The provision of Internal Audit Services is through a contract with RSM UK Group LLP. An overall positive opinion was given for 2022/23.



**Internal Audit Programme**

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

Audit	Assurance Level	Management Actions		
		Low	Medium	High
Emergency Response Driving	Reasonable Assurance	1	3	-
Control Room – New Mobilising System	Reasonable Assurance	2	2	-
Cyber Security	Non-assurance engagement*	3	3	1
Change Management	Substantial Assurance	2	-	-
Key Financial Controls – Financial Management Code	Substantial Assurance	2	-	-
Key Financial Controls – Overtime	Partial Assurance	2	1	1
Efficiency and Cost Savings	Reasonable Assurance	4	-	1

\*Non-assurance engagements are reviews of specialist areas, for which internal auditors are not able to provide an audit opinion.

**Levels of Assurance**

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

**CIPFA Financial Management Code**

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

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

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

An assessment against the Financial Management Code was carried out in 2021/22. An action plan with clear deadlines was produced alongside the review, which found the Authority is fully compliant with 14 out of 17 recommendations of the Code. An update on progress towards the remaining actions will be presented to the Strategic Board in 2023/24.

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

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

Roger Hirst

Police, Fire and Crime Commissioner

Date: 03 July 2024

Rick Hylton

Chief Fire Officer, and Chief Executive

Date: 03 July 2024

**Other Significant Issues****Relocation of Hot Fire Training Facility**

ECFRS is currently exploring the feasibility of relocating Live Fire Training facilities from Wethersfield to ECFRS Kelvedon Headquarters site. ECFRS were provided notice by the MOD to vacate the current site by the end of 2025 due to their disposal of their premises. ECFRS has established that it is feasible to re-locate the current functions based at Wethersfield to ECFRS HQ in terms of the size requirements. The next stage is to undertake several statutory land surveys followed by the submission of a planning application for an approval to progress to design and build. If timelines are extended ECFRS does have the required business continuity arrangements in place to continue the essential delivery of Live Fire training requirements.

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

In March 2022 the Authority appointed an Assistant Chief Fire Officer (Director of Operations) as a result of the successful promotion of the post holder to the Deputy Chief Fire Officer role. The post was advertised nationally, and the successful candidate was appointed following an extensive process that utilised the support and expertise of partners and stakeholders. Since April 2022 Directors of the Service Leadership Team have undertaken the Certificate in Company Direction by the Institute of Directors.

**Fire Reform White Paper**

In May 2022, the Government published its White Paper, Reforming our Fire and Rescue Service, which consulted on a range of proposals intended to build professionalism, boost performance and strengthen governance within the sector. Amongst other reforms, the White Paper proposes to:

- Move governance of all fire and rescue services under a single, democratically elected executive leader, such as a Combined Authority Mayor, a PFCC or a County Council Leader, who would be able to delegate some or all of their day-to-day duties to a Deputy Mayor or PFCC or a Council Cabinet Member respectively.
- Implement HMICFRS's recommendation to confer operational independence on Chief Fire Officers, thereby giving them direction and control over the resources available to meet the executive leader's priorities. This could be achieved alongside making Chief Fire Officers separate corporations sole, thereby making them the employers of fire and rescue service staff.
- Explore consistent entry requirements for fire and rescue service roles, along with a direct entry and talent management scheme.
- Introduce a "21st century leadership programme", similar to the Strategic Command Course within policing, which would provide a statutory and standardised assessment of suitability for assistant chief officer roles and above.
- Place the Core Code of Ethics on a statutory footing.
- Create an independent College of Fire and Rescue to lead the professionalisation of fire and rescue services.

At the time of writing, the Authority is awaiting the Government's response to the consultation.

### **Development of a Devolution Proposition for Greater Essex**

In May 2022, the Government introduced its Levelling Up and Regeneration Bill, which sets out a framework to support the greater devolution of powers from central to local government, including a new model of combined authority - the County Combined Authority (CCA). In June 2022 Essex Leaders and Chief Executives (ELCE) agreed to explore what a devolution deal might mean for Essex. A draft Expression of Interest was submitted to the Government at the end of March 2023, which seeks to explore either a Level 2 or a Level 3 deal. A Level 3 deal incorporating the whole Greater Essex footprint would include the creation of a new Mayoral Combined County Authority (MCCA) and a directly elected mayor, who could subsume the functions and powers currently exercised by the PFCC. Under this model, any such functions and powers that are vested in the wider MCCA, as opposed to the mayor directly, could threaten the operational independence, direction and control of the chief officers. There is currently a juxtaposition between the Levelling Up and Regeneration Bill, which sets out the framework for devolution, and the Fire Reform White Paper which, as set out above, proposes to legislate for the operational independence of Chief Fire Officers and potentially enshrine them in law as separate corporation soles. In addition, under a Level 3 deal, the fire and rescue precept would be subsumed within a wider mayoral precept, creating the risk of funds currently directed towards the fire and rescue service being diverted to fund other priorities of the new mayoralty. Whilst the PFCC and their staff and chief officers are actively engaged in the discussions around this and are represented on the negotiating team with the Government, only the three upper tier local authorities (Essex County Council, Southend-on-Sea City Council and Thurrock Council) would be the constituent members of any new Mayoral Combined County Authority and would have to consent to the devolution deal, and the subsequent creation of the MCCA and directly elected mayor.

### **Significant Governance Issues**

The next section outlines the significant governance issues that have been identified for consideration in 2023/24. This is followed by a review of the significant governance issues identified in 2022/23, and the position at 31 March 2023. Significant governance issues arise from operational challenges and as a result of external events such as the pandemic.

**Significant Governance Issues 2023/24**

Title	Action	Expected Delivery
Learning and Development	We will review current training provision and recording to ensure that it enables staff to be appropriately trained for current and future roles and that we are able to provide appropriate assurance of that competence.	The outcome of the review will include recommendations about current and future training provision and current and future recording of training and whether that provides sufficient and appropriate assurance of competence. The initial phase of this work will be done when the review, recommendations and action plan are complete. Further phases of work will need to be scoped once recommendations are in place.
Learning and Development Culture, Core Code of Ethics and Values	The Core Code of Ethics (CCofE) was launched in 2021 and is being embedded. We will assess our progress using a Cultural Maturity Model. We will also review the CCofE Fire and Rescue Service Ethical principles detailed within the CCofE against the current values of ECFRS. We will deliver an approach called ‘Safer Together’ which continues to develop our culture.	The outcome of the review will include recommendations about current and future training provision and current and future recording of training and whether that provides sufficient and appropriate assurance of competence. The initial phase of this work will be done when the review, recommendations and action plan are complete. Further phases of work will need to be scoped once recommendations are in place.
Capital Programme planning and implementation	We will monitor the risks in delivery of our capital programme, to ensure projects are delivered by their committed deadlines. Progress will be monitored by the Portfolio Management Board and Asset Board to ensure any risks of non-delivery are identified and mitigated where possible.	We will meet our capital targets going forward and deliver a capital programme that meets the requirements of the Authority.

Title	Action	Expected Delivery
Financial risk and uncertainty	<p>Despite a balance budget being set for 2023/24, there remains a lot of economic uncertainty and cost of living pressures. Pay awards in the Fire sector are determined nationally and will be agreed after finalisation of the 2023/24.</p> <p>The Authority is going to need to continually monitor its financial position closely and ensure that it has adequate plans in place to continue producing a balanced budget, even in the event of unbudgeted cost pressures arising.</p>	We will continue to deliver a balanced budget, with no use of general reserves.
Development of a Devolution Proposition for Greater Essex	The Commissioner, the Chief Fire Officer and their statutory officers will continue to influence this process through Essex Leaders and Chief Executives (ELCE) and the key workstreams established to progress this work. The Commissioner’s Chief Executive and Monitoring Officer will also form part of the negotiating team with Government. These negotiations will explore possible methods of mitigating the risks identified.	A devolution deal is secured for Greater Essex which is in the best interests of public safety.
Public and partner perception and engagement	Commission a social research agency to carry out a two-year study to measure public views and to engage with harder to reach and more diverse communities to understand better their risks and needs.	<p>The project will reach and engage with at least 8,000 people (including groups and communities which ECFRS currently has little or no interaction with) each year, through a variety of methods, to ensure that the data is statistically valid. The results will be used to:</p> <ul style="list-style-type: none"> <li>• Shape our community and partnership communication and engagement activities.</li> <li>• Help inform our new community risk management plan (CRMP) activities and planning.</li> <li>• Give us a better understanding of and insight into specific community risks.</li> <li>• Provide links to create relationships and contacts with harder to reach communities.</li> </ul>

**Update on Significant Governance Issues 2022/23**

Title	Action	Expected Delivery	Position at 31 <sup>st</sup> March 2023
Capital Programme planning and implementation	We will monitor the risks in delivery of our capital programme, to ensure projects are delivered by their committed deadlines. Progress will be monitored by the Portfolio Management Board and Asset Board to ensure any risks of non-delivery are identified and mitigated where possible.	We will meet our capital targets going forward and deliver a capital programme that meets the requirements of the Authority.	The Authority engages with stakeholders through regular meetings such as the Strategic Fleet Subgroup, Estates Board and Digital & Data Strategy Board. These boards then feed into the Programme Management Board, which holds budget holders to account and ensures the capital programme is delivered.
Financial risk and uncertainty	Given the current cost of living pressures and the one-year local government finance settlement, the Authority is faced with continued financial uncertainty. We will continually monitor our financial plans and outlook to ensure we deliver the objectives of the Fire and Rescue Plan.	Accurate and reliable financial planning will enable the Authority to adapt in changes in the environment, with more robust scenario planning.	<p>The Authority is faced with a general fund deficit for 2022/23, which is largely driven by the unbudgeted pay pressures arising from the cost of living crisis. The Authority does have adequate Reserves to absorb this as a one off cost pressure.</p> <p>The Authority continues to monitor and project financial position very closely during these uncertain times.</p> <p>The Authority has produced a balanced budget, with no use of general reserves for 2023/24. This was presented to the Police, Fire and Crime Panel on 7th February 2023 as part of its consideration of the precept.</p> <p>The 2023/24 local government finance settlement is for two years; however, the detail of the settlement gives very little confirmation of funding in 2024/25.</p> <p>In addition, the Authority continues to make savings, and £1.1m of cashable efficiencies have been included in the 2023/24 budget.</p>

Title	Action	Expected Delivery	Position at 31 <sup>st</sup> March 2023
Leadership development and succession planning	We will develop our leaders so that we have strong and effective leaders now and in the future. We will ensure that we have leaders ready to fill the roles that we anticipate becoming vacant via our Strategic Workforce Plan. We will do this through our Leadership Development, Resourcing and Succession Planning.	We will develop future leaders to ensure the Authority is managed efficiently.	We are developing the right number of people to meet our future leadership needs. Nearly 13% of our workforce are currently part of our Leadership, Resourcing and Succession plans. Additionally, 120 people have taken part in our leadership development programme and 244 people have accessed coaching.
Future use of workspace	We will review our workspace as the Authority adjusts to the post-pandemic 'new normal'. This will ensure we are utilising our resources efficiently.	We will perform a review of our workspace and implement new ways of working.	<p>The Authority commissioned an external company, MOVEWORKS to review our working arrangements. This initiated two programmes of work:</p> <p>The Strategic Asset Management Plan (SAMP) is a review of our complete Estate to ensure we are maximising its use in the most effective and efficient way.</p> <p>The second piece of work required ECFRS to reconfigure the internal working space at Kelvedon Park in line with the new Live Fire Training arrangements. Heads of department are provided flexibility to ensure that their respective teams can work in a flexible but productive environment. ECFRS has not adopted a working at home policy but provides employees with the flexibility to undertake working from home where required. Post COVID learning has provided a new opportunity to work in smarter and more effective way.</p> <p>The review of our estate and the changes in technology allow our employees to work from any of our sites and we actively encourage teams to work in a way that allows for cross functional working to reduce silos. We will continue to monitor the effectiveness and efficiencies of our future arrangements and make changes where required.</p>



Title	Action	Expected Delivery	Position at 31 <sup>st</sup> March 2023
Continued cultural development	We will maintain our focus on embedding a culture that is fair, kind, and inclusive. We will also develop this further to focus on high performance, accountability, and service delivery.	We will promote a positive culture in the workplace and ensure that we continue to engage and work effectively with partner organisations and play a key role in Essex-wide public service leadership.	<p>Alongside the Leadership Development programme, most of our workforce have taken part in training, which is designed to promote a positive culture, specifically:</p> <ul style="list-style-type: none"> <li>• Code of Ethics (released 21/02/22) – 89.5% completion.</li> <li>• Dignity at Work (released 21/03/23) – 88.1% completion.</li> <li>• Safeguarding (released 05/04/23) – 90.1% completion.</li> </ul> <p>We have worked with a number of Essex partners to develop our people including a Positive Action Day, International Men’s Day, International Women’s Day and International Day Against Homophobia, Biphobia, Interphobia and Transphobia.</p>
Operational training facilities	We will deliver operational training facilities that ensure we can offer assurance of competence for all firefighters. We will deliver improved training facilities in some areas and will further develop plans to replace hot fire training facilities.	We will ensure a safe workforce underpinned by excellent training.	<p>Improvements to our Breathing Apparatus Chambers are progressing to completion. Phase 1 and phase 2 complete. The final phase, phase 3, due for completion in September 2023.</p> <p>Work to replace our hot fire training facility progressing well with oversight through the Portfolio Management Board.</p>
Mobilising system	We will ensure the new mobilising system is delivered by the deadline, meets Authority requirements and fully mitigates the risks to the Authority of the current system. This will be monitored at the Digital and Data Programme board.	The new mobilising system will be delivered in 2022/23.	The new mobilising system is on track to deliver within 2023 and the control room staff are shortly due to commence their training on the new system. We continue to engage with Bedfordshire FRS who have been live on the same system of just over a year. Bedfordshire FRS are assisting us with the go-live and we will be re-establishing our buddy site arrangements once live. The new system will provide greater resilience and reliability and is also fully agnostic with future technology changes.

**Appendix 1 – Key Governance Boards**

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

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

### **Report on the audit of the financial statements**

#### **Qualified opinion on financial statements**

We have audited the financial statements of Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the Firefighters' Pension Fund financial statements comprising the Firefighters' Pension Fund Account, Firefighters' Pension Fund Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for qualified opinion**

The Authority is a member of a multi-employer pension scheme and as at 31 March 2023 the Authority held a share of Essex Pension Fund's assets (£69,666,000) and liabilities (£74,349,000), the net liability of £4,683,000 of which is included in the balance sheet at 31 March 2023.

Auditor Guidance Notes are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014. The NAO issued Auditor Guidance Note 07 (AGN 07) on 31 January 2023. Paragraph 31 of AGN 07 refers to the voluntary protocol that auditors have agreed with each other and the NAO in respect of the provision of assurances concerning defined benefit pension plans.

The external audit of the Essex Pension Fund is not yet concluded for 2022/23 and Pension Fund assurances under AGN 07 are not available. There is uncertainty over the timing of when the Pension Fund audit will be concluded. In the current circumstance, the only means for us to get assurance over the Pension Fund assets and liabilities disclosed in the accounts would be to audit the Pension Fund directly and undertake alternative procedures. This would not be in the interests of the public purse. Management have stated that in the interests of openness and transparency they wish to publish signed accounts for stakeholders. To limit further delays, management have determined it appropriate to limit the scope of our work in respect of the defined benefit pension plan net liability as disclosed in the balance sheet and associated Pension Fund asset and liability disclosures in the financial statements. Consequently, we have been unable to determine whether any adjustment to the Authority's share of Essex Pension Fund's assets and liabilities, or other amounts disclosed in the financial statements in respect of the share of assets and liabilities, are necessary. In addition,

were any adjustment to the defined benefit pension plan net liability to be required, the narrative report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the Chief Financial Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the ‘Statement of Responsibilities for the Statement of Accounts’ section of this report.

### **Other information**

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the Authority's share of Essex Pension Fund's assets (£84,236,000 which is reduced by a) and liabilities (£74,349,000), the net liability of £4,683,000 of which is on the balance sheet at 31 March 2023. We have concluded that where the other information refers to the defined benefit pension plan net liability or related balances and disclosures, it may be materially misstated for the same reason.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority and the Chief Finance Officer**

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 2012. We also identified the following additional regulatory frameworks in respect of the Fire and Rescue Services Act 2004, the Firefighters' Pension Scheme (England) Order 2006, the Firefighters' Pension Scheme (England) Regulations 2014 and the Public Service Pensions Act 2013.
- We enquired of senior officers and the Police, Fire and Crime Commissioner, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations.
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Police, Fire and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
  - potential for management bias in determining accounting estimates and judgements made in respect of the valuation of assets and liabilities in the Balance Sheet.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls in place to prevent and detect fraud.
  - journal entry testing, with a focus on unusual entries meeting the high-risk criteria determined by the audit team.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the valuation of the net defined benefit pensions liability.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team's communications in respect of potential non-compliance with relevant laws and regulations, including management override of controls and the significant accounting estimates related to the valuation of land and buildings and the valuation of the net defined benefit pensions liability.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

#### **Responsibilities of the Authority**

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

#### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and



- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of the Authority for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

#### **Use of our report**

This report is made solely to the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to the Authority in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority as a body, for our audit work, for this report, or for the opinions we have formed.

***Joanne Brown***

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

04 July 2024

[www.essex-fire.gov.uk](http://www.essex-fire.gov.uk)



# Essex County Fire & Rescue Service Accounting Statements



## Comprehensive Income and Expenditure Statement

For the year ended 31<sup>st</sup> March 2023

2021/22 Net £000	Notes	2022/23 Net £000
<b>Expenditure</b>		
32,491	Wholetime Firefighters	28,667
7,561	On-call firefighters	9,404
1,576	Control staff	1,745
19,138	Support staff	19,708
<b>60,766</b>	<b>Total Employment Costs</b>	<b>59,524</b>
2,356	Support costs	2,240
10,349	Premises & Equipment	11,603
3,144	Other costs & services	4,278
3,607	Depreciation, impairment & other costs	4,722
106	Financing items	115
<b>19,562</b>	<b>Total Other Costs</b>	<b>22,958</b>
<b>80,328</b>	<b>Gross Expenditure</b>	<b>82,482</b>
<b>Income</b>		
(5,211)	Specific grant income	(5,385)
(1,617)	Other income	(1,829)
<b>73,500</b>	<b>Provision of Fire Services</b>	<b>75,268</b>
(262)	(Gain) or loss on Disposal of Fixed Assets	(113)
35	Pension administration costs	47
<b>Financing and Investment Income and Expenditure</b>		
1,173	Interest payable on debt	1,164
18,238	Net interest on the net defined benefit liability (asset)	23,121
(7)	Investment interest income	(465)
(28)	Disposal of investments	-
<b>Taxation and Non-Specific Grant Income</b>		
(8,511)	Revenue Support Grant	(8,780)
(16,388)	Non Domestic Rates	(16,586)
(48,528)	Council Tax	(50,513)
(3,648)	Non Specific Grant Income	(4,368)
-	Capital Grant	-
<b>15,574</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>18,775</b>
(5,491)	(Surplus) or deficit on revaluation of non current assets	(4,778)
(38,385)	Remeasurements of the net defined benefit liability (asset)	(332,852)
<b>(43,876)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(337,630)</b>
<b>(28,302)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(318,855)</b>

Within Employment Costs is an IAS 19 pension adjustment of £7.3m (2022 – £2.1m), which shows as a reduction in cost. This has reduced Wholetime Firefighters employment cost by £10.3m (2022 – £5.7m) and increased Support staff employment costs by £2.9m (2022 – £3.5m).

## Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>4,341</b>	<b>11,035</b>	<b>13,153</b>	<b>28,529</b>	<b>(795,825)</b>	<b>(767,296)</b>
<b>Movement in reserves during the year</b>						
Surplus or (deficit) on the provision of services	(18,775)	-	-	(18,775)	-	(18,775)
Other Comprehensive Income and Expenditure	-	-	-	-	337,630	337,630
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(18,775)</b>	<b>-</b>	<b>-</b>	<b>(18,775)</b>	<b>337,630</b>	<b>318,855</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 7)	14,387	-	2,588	16,975	(16,975)	-
Transfers to or (from) earmarked reserves	3,932	(3,932)	-	-	-	-
<b>Increase (Decrease) in Year</b>	<b>(457)</b>	<b>(3,932)</b>	<b>2,588</b>	<b>(1,800)</b>	<b>320,655</b>	<b>318,855</b>
<b>Balance at 31 March 2023</b>	<b>3,882</b>	<b>7,102</b>	<b>15,741</b>	<b>26,725</b>	<b>(475,170)</b>	<b>(448,445)</b>

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

**Balance Sheet**As at 31<sup>st</sup> March 2023

31 March 2022 £000	Notes	31 March 2023 £000
	<b>9</b>	
126,527	Land and Buildings	129,586
10,089	Vehicles, plant and equipment	10,602
1,985	Fixed assets under construction	1,599
<b>138,601</b>	<b>Long Term Assets</b>	<b>141,787</b>
423	Inventories	445
8,747	Short Term Debtors	13,068
20,473	Cash and Cash Equivalents	18,602
1,445	Assets held for sale	350
<b>31,088</b>	<b>Current Assets</b>	<b>32,465</b>
(1,250)	Short Term Borrowing	(249)
(7,556)	Short Term Creditors	(11,447)
(1,233)	Grants Receipts in advance	(1,303)
<b>(10,039)</b>	<b>Current Liabilities</b>	<b>(12,999)</b>
(23,500)	Long Term Borrowing	(23,500)
(994)	Provisions	(786)
	<b>Other Long Term Liabilities</b>	
(30,253)	- Local Government Pension Scheme	(4,683)
(872,200)	- Firefighters' Pension Scheme	(580,729)
<b>(926,947)</b>	<b>Long Term Liabilities</b>	<b>(609,698)</b>
<b>(767,297)</b>	<b>Net Liabilities</b>	<b>(448,445)</b>
	<b>Usable Reserves</b>	
4,341	General Fund	3,882
11,035	Earmarked General Fund Reserves	7,102
13,153	Capital Receipts Reserve	15,741
<b>28,529</b>	<b>Usable reserves</b>	<b>26,725</b>
	<b>Unusable Reserves</b>	
41,336	Revaluation Reserve	43,840
66,978	Capital Adjustment Account	66,198
(1,269)	Holiday Pay Account	(1,353)
(418)	Collection Fund Adjustment Account	1,557
(902,453)	Pension Reserve	(585,412)
<b>(795,826)</b>	<b>Unusable Reserves</b>	<b>(475,170)</b>
<b>(767,297)</b>	<b>Total Reserves</b>	<b>(448,445)</b>

**Cash Flow Statement**For the year ended 31<sup>st</sup> March 2023

2021/22 £000		2022/23 £000
15,574	Net (surplus) or deficit on the provision of services	18,775
(21,255)	Adjustment to surplus or deficit on the provision of services for non-cash movements - see below	(22,592)
3,530	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,921
(2,151)	Proceeds from the sale of assets	2,921
	<b>Net cash flows from operating activities</b>	<b>(896)</b>
	<b>Net cash outflows from investing activities</b>	
2,900	Purchase of assets	4,688
(94)	EFA Trading Ltd share investment	-
(3,530)	Proceeds from the sale of assets	(2,921)
-	<b>Net cash outflows from financing activities</b>	<b>1,000</b>
(2,875)	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>1,871</b>
(17,598)	Cash and cash equivalents at the beginning of the reporting period	(20,473)
(20,473)	Cash and cash equivalents at the end of the reporting period	(18,602)

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

2021/22 £000		2022/23 £000
(4,307)	Depreciation and impairments	(4,619)
700	Revaluation gains/(losses)	(102)
410	(Increase)/decrease in creditors	(3,803)
168	(Increase)/decrease in provisions	208
(217)	Increase/(decrease) in inventories	20
1,408	Increase/(decrease) in debtors	4,321
6	(Increase)/decrease in provision for bad debts	(1)
(16,153)	Movement in pension liability	(15,808)
(3,270)	Carrying amount of non-current assets sold	(2,808)
(21,255)		(22,592)

## Notes To the Accounts

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 55 to 92 and provide further information upon the financial performance of the Authority during 2022/23.

### 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.

2021/22			2022/23		
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
69,452	4,048	73,500	70,463	4,805	75,268
(66,995)	9,069	(57,926)	(66,075)	9,582	(56,493)
<b>2,457</b>	<b>13,117</b>	<b>15,574</b>	<b>4,388</b>	<b>14,387</b>	<b>18,775</b>
(17,832)			(15,376)		
2,456			4,388		
<b>(15,376)</b>			<b>(10,988)</b>		

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

The tables below provide analysis of the Adjustments between Funding and Accounting Basis for 2022/23 and 2021/22 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 statutory differences	Total Adjustments
2022/23	£000	£000	£000	£000
Provision of Fire Services	4,722	-	84	4,806
Other Income and Expenditure from the Funding Analysis	(4,213)	15,811	(1,975)	9,623
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>509</b>	<b>15,811</b>	<b>(1,891)</b>	<b>14,429</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for Pensions adjustments	Other statutory differences	Total Adjustments
2021/22	£000	£000	£000	£000
Provision of Fire Services	3,606	-	441	4,047
Other Income and Expenditure from the Funding Analysis	(4,212)	16,152	(2,752)	9,188
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>(606)</b>	<b>16,152</b>	<b>(2,311)</b>	<b>13,235</b>

## Accounting policies

### 2.1 General

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23, supported by International Financial Reporting Standards.

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

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

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

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the Authority 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 Authority.

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

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

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



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

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

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

#### **2.4 Events after the balance sheet date**

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

Two types of events can be identified:

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

#### **2.5 Accruals of income and expenditure**

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

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

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **2.6 Council tax and non-domestic rates**

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

### **2.6.1 Accounting for council tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

## **2.7 Provisions and contingent liabilities**

### **2.7.1 Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering 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 the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **2.7.2 Contingent liabilities**

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

## **2.8 Reserves**

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

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

## **2.9 Cash and Cash equivalents**

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

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

## **2.10 Property Plant and Equipment**

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

### **2.10.1 Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if 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** except for motor vehicles where the limit is **£7,500**. Individual assets under this value can be capitalised where in aggregate, the value is above these limits. There is no de-minimis limit for land purchases.

### **2.10.2 Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

### **2.10.3 Impairment**

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

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

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

### **2.10.4 Depreciation**

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

Depreciation is calculated on the following bases:

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

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

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

### **2.10.5 Statutory charge for capital financing**

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

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

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

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

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

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

## **2.11 Operating Leases**

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

### **2.11.1 The Authority as lessee**

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

## 2.12 Inventories

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

## 2.13 Government Grants and Contributions

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

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

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

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

## 2.14 Employee Benefits

### 2.14.1 Benefits Payable During Employment

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

### 2.14.2 Termination Benefits

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

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

### 2.14.3 Post-Employment Benefits

The Authority participates in three different pension schemes:

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

## 2.15 Financial Instruments

### 2.15.1 Financial Assets

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

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

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

Loans and receivables are measured at amortised cost.

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

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

### 2.15.2 Financial Liabilities

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

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

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

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

## 2.16 Value Added Tax (VAT)

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

### **2.17 Fair Value Measurement of Non-Financial Assets**

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset.

### **3 Accounting Standards Issued Not Adopted**

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

The relevant standards are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

### **4 Critical Judgements in Applying Accounting Policies**

At the current time there are no critical judgements that have been made that will affect these Statements, but there is a certain amount of uncertainty about future levels of Government funding. However, the Authority has determined that this uncertainty is not yet sufficient to

provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. As a result, there has been no impact on note 9, Property, Plant & Equipment.

## 5 Changes in Accounting Estimates

There were no changes in accounting estimates in the current or previous year.

## 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 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

### 6.1 Property, Plant and Equipment – Asset Lives

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

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

The carrying value of depreciating assets at 31 March 2023 is £95.7m. 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 £1.0m for every year that useful lives had to be reduced.

### 6.2 Property, Plant and Equipment – Property revaluations

All properties were revalued as at the 31<sup>st</sup> March 2023, the key assumptions are below:

**Rebuild Cost** – this is used in the depreciated replacement cost (DRC) valuation approach for Fire Stations. Rebuild cost is determined by the valuer, Lambert Smith Hampton, a firm of RICS qualified property experts, and is based on assumptions including statistics from the Building Cost Information Service (BCIS). Where the BCIS Rebuild Cost is higher, this will lead to a higher property valuation. The current carrying value of Land and Buildings valued at DRC is £126.5m.

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

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

The current carrying value of Land and Building in the Balance Sheet is £129.2m, each 1% change in the valuation would amount to £1.29m.

### **6.3 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 net pension liability as at 31 March 2023 is £580,729k for the Firefighter's Pension Scheme (2022 £872,200k) and £4,683 for the Local Government Pension Scheme (2022 £30,253k).

The actuary has rolled forward the value of liabilities calculated for the latest full funding valuation from 31 March 2020 for the Firefighter's Pension Scheme and 31 March 2022 for the Local Government Pension Scheme. This introduces estimation uncertainty as it is not possible to assess the accuracy of the estimated value of liabilities without completing a full valuation. It is expected that for each year away from a full valuation, the difference could be between 2-3% of the net pension liability, however the actuary is satisfied that the roll forward approach has not materially distorted the valuation, provided that the actual results of the pension fund are broadly in line with the underlying assumptions detailed in note **27.5**.

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

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

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

2022/23	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Earmarked		
		General Fund Reserve £000	Capital Receipts Reserve £000	
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
Pension costs (transferred to (or from) the Pensions Reserve)	15,811	-	-	(15,811)
Council tax & NDR (transfers to/(from) Collection Fund)	(1,975)	-	-	1,975
Holiday pay (transferred to the Accumulated Absences Reserve)	84	-	-	(84)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,721	-	-	(4,721)
<b>Total Adjustment to Revenue Resources</b>	<b>18,641</b>	<b>-</b>	<b>-</b>	<b>(18,641)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(113)	-	2,588	(2,475)
Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,141)	-	-	4,141
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(4,254)</b>	<b>-</b>	<b>2,588</b>	<b>1,666</b>
<b>Total Adjustments</b>	<b>14,387</b>	<b>-</b>	<b>2,588</b>	<b>(16,975)</b>

2021/22 Comparative figures	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserve £000	Capital Receipts Reserve £000	
<b>Adjustments to the Revenue Resources</b> Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension costs (transferred to (or from) the Pensions Reserve)	16,153	-	-	(16,153)
Council tax & NDR (transfers to/(from) Collection Fund)	(2,752)	-	-	2,752
Holiday pay (transferred to the Accumulated Absences Reserve)	441	-	-	(441)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,607	-	-	(3,607)
<b>Total Adjustment to Revenue Resources</b>	<b>17,449</b>	<b>-</b>	<b>-</b>	<b>(17,449)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(262)	-	3,484	(3,222)
Revenue provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,070)	-	-	4,070
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(4,332)</b>	<b>-</b>	<b>3,484</b>	<b>848</b>
<b>Total Adjustments</b>	<b>13,117</b>	<b>-</b>	<b>3,484</b>	<b>(16,601)</b>

## 8 Transfers to/from Earmarked Reserves

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

### Earmarked Contingency Reserves:

This relates to specific risk-based contingencies.

### Earmarked Reserve – Productivity:

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

### Earmarked Reserve – Specific Purpose:

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

<b>2022/23</b>	<b>Balance at 1 April</b>	<b>Additions/ (Use) made in year</b>	<b>Transfer to General Fund</b>	<b>Balance at 31 March</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Earmarked Contingency Reserves</b>				
Demand Pressures	600	-	-	600
Taxbase and Collection Account Reserve	200	-	-	200
National Non-Domestic Rates Collection Reserve	1,695	(1,462)	-	233
Risk Protection	285	-	-	285
	<b>2,780</b>	<b>(1,462)</b>	<b>-</b>	<b>1,318</b>
<b>Earmarked Reserve - Productivity</b>				
On Call - Support	463	(71)	-	392
Invest to Save	523	-	-	523
Innovation and Transformation	3,799	(1,379)	-	2,420
	<b>4,785</b>	<b>(1,450)</b>	<b>-</b>	<b>3,334</b>
<b>Earmarked Reserve - Specific Purpose</b>				
Unspent Government Grant - Covid 19	525	(142)	-	383
Operational Training Reserve	837	(348)	-	489
Learning & Development Programme	1,230	(75)	-	1,155
Community Safety Programme - Sprinkler Support	472	(53)	-	419
LGPS Deficit	304	(304)	-	-
Unspent Government Grant - Pensions	102	(98)	-	4
	<b>3,470</b>	<b>(1,020)</b>	<b>-</b>	<b>2,450</b>
<b>Total Earmarked Reserves</b>	<b>11,035</b>	<b>(3,932)</b>	<b>-</b>	<b>7,102</b>

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



## 9 Property, Plant and Equipment

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

<b>2022/23</b>	<b>Land and buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Assets under construction</b>	<b>Surplus Assets</b>	<b>Total PP&amp;E</b>
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April	124,826	35,702	1,986	1,701	164,214
Transfer from FAUC	2,308	2,921	(5,229)	-	-
Additions	-	-	4,843	-	4,843
Impairments	(102)	-	-	-	(102)
Reclassifications and transfers	(365)	-	-	-	(365)
Revaluation increases/(decreases) to Revaluation Reserve	2,811	-	-	17	2,828
Revaluation increases/(decreases) to surplus or deficit on the provision of services	(247)	-	-	-	(247)
Disposals	-	(117)	-	(1,362)	(1,479)
<b>At 31 March</b>	<b>129,231</b>	<b>38,506</b>	<b>1,600</b>	<b>356</b>	<b>169,693</b>
<b>Depreciation and impairment</b>					
At 1 April	-	25,613	-	-	25,613
Depreciation charge	2,206	2,409	-	5	4,620
Other movements in depreciation to the Revaluation Reserve	(1,959)	-	-	(5)	(1,964)
Other movements in depreciation to the surplus of deficit on the provision of services	(247)	-	-	-	(247)
Disposals	-	(116)	-	-	(116)
<b>At 31 March</b>	<b>-</b>	<b>27,906</b>	<b>-</b>	<b>-</b>	<b>27,906</b>
<b>Net Book value</b>					
<b>At 31 March 2023</b>	<b>129,231</b>	<b>10,600</b>	<b>1,600</b>	<b>356</b>	<b>141,787</b>
<b>At 31 March 2022</b>	<b>124,826</b>	<b>10,089</b>	<b>1,986</b>	<b>1,701</b>	<b>138,601</b>

<b>2021/22</b>	<b>Land and buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Assets under construction</b>	<b>Surplus Assets</b>	<b>Total PP&amp;E</b>
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April	123,029	35,674	752	2,203	161,658
Transfer from FAUC	1,060	838	(1,898)	-	-
Additions	-	-	3,277	-	3,277
Impairments	-	-	-	-	-
Reclassifications and transfers	(1,977)	-	(145)	635	(1,487)
Revaluation increases/(decreases) to Revaluation Reserve	3,089	-	-	141	3,230
Revaluation increases/(decreases) to surplus or deficit on the provision of services	700	-	-	-	700
Disposals	(1,075)	(809)	-	(1,278)	(3,161)
<b>At 31 March</b>	<b>124,826</b>	<b>35,703</b>	<b>1,986</b>	<b>1,701</b>	<b>164,215</b>
<b>Depreciation and impairment</b>					
At 1 April	-	24,270	-	-	24,270
Depreciation charge	2,130	2,148	-	29	4,307
Other movements in depreciation to the Revaluation Reserve	(2,130)	-	-	(29)	(2,159)
Other movements in depreciation to the surplus of deficit on the provision of services	-	-	-	-	-
Disposals	-	(804)	-	-	(804)
<b>At 31 March</b>	<b>-</b>	<b>25,614</b>	<b>-</b>	<b>-</b>	<b>25,614</b>
<b>Net Book value</b>					
<b>At 31 March 2022</b>	<b>124,826</b>	<b>10,089</b>	<b>1,986</b>	<b>1,701</b>	<b>138,602</b>
<b>At 31 March 2021</b>	<b>123,029</b>	<b>11,404</b>	<b>752</b>	<b>2,203</b>	<b>137,387</b>

The net book value of revalued assets at 31<sup>st</sup> March 2023 is £129.9m (2022 - £128.0m).

At the 31 March 2023 the Authority had capital commitments of £2.5m in relation to new the new control system and the improvement of properties (2022 - £5.6m).

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

Class of asset	Asset life for depreciation purposes
Buildings	5 to 46 years
Fire appliances	15 years
Cars and vans	3 to 6 years
Other operational vehicles	5 to 15 years
Operational equipment	5 to 20 years
IT equipment - infrastructure	20 years
IT equipment - Control	7 years
IT equipment	3 years

An analysis of the capital expenditure and the way it was financed is set out on page 15.

The freehold and leasehold properties within the Authority’s property portfolio are valued by the Authority’s property advisors (Lambert Smith Hampton) with impairment reviews made annually by management. All valuations were undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fire stations are valued at depreciated replacement cost, other operational properties are valued at existing use value and surplus properties at fair value using Level 2 of the fair value hierarchy.

At the 31 March 2023 a revaluation review of all properties was carried out and an increase has been reflected as appropriate.

## 10 Financial Instruments

### 10.1 Financial Instrument Balances

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

	Non current		Current	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
<b>Investments</b>				
Investments	-	-	-	-
Cash & cash equivalents	-	-	20,473	18,602
<b>Debtors</b>				
Short-term debtors	-	-	883	430
<b>Creditors</b>				
Short term creditors	-	-	(3,588)	(6,699)
<b>Borrowings</b>				
Long term borrowing	(23,500)	(23,500)	-	-
Short term borrowing	-	-	(1,250)	(249)

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 **£1,164k** and interest income of **£465k**.

The fair value of loans borrowed from the Public Works Loans Board (PWLB) is **£23.4m** compared to their book value of **£23.5m** (£28.5m, £24.5m in 2021/22).

### 10.2 Long Term Liabilities

Long term borrowing, undertaken for periods more than 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 2023 the fair value of PWLB debt is **£23.4m** compared to £28.5m as at 31 March 2022.

2021/22 PWLB loans £000		2022/23 £000
	<b>Repayment period</b>	
-	Between 1 - 2 years	1,000
2,000	Between 2 - 5 years	1,000
15,000	Between 5 - 10 years	17,000
6,500	Over 10 years	4,500
<b>23,500</b>	<b>Balance at 31 March</b>	<b>23,500</b>

The longest dated loan is one of **£4.5m** that runs until December 2034. The weighted average interest rate was 4.80% at 31 March (2021/22 4.79%).

### 10.3 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 above.

#### 10.4 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.

#### 10.5 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 2023 was £18.6m as detailed in note 12 (£20.5m at 31 March 2022).

#### 10.6 Liquidity Risk

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

#### 10.7 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.

**10.8 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 Authority’s borrowing is fixed rate for the term of the borrowing, so is not sensitive to a rise in interest rates.

**11 Debtors**

The analysis of Debtors is shown below:

2021/22 £000		2022/23 £000
1,711	Central government bodies	490
1,729	Collection Fund	3,587
3,499	Pension Fund	5,414
1,808	Other entities and individuals	3,577
<u>8,747</u>		<u>13,068</u>

The aged debt analysis for trade debtors below shows that **£27k** (15%) of these debtors are past their due date for payment.

Aged analysis of sales ledger	£000	%
0 to 30 days	154	85
31 to 60 days	8	4
61 to 90 days	5	3
91 to 121 days	3	2
121+ days	11	6

**12 Cash and Cash Equivalents**

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

2021/22 £000		2022/23 £000
8,472	Bank accounts	7,555
12,001	Cash equivalent investments	11,047
<u>20,473</u>		<u>18,602</u>

**13 Assets Held for Sale**

2021/22		2022/23
£000		£000
912	<b>Balance at 1 April</b>	<b>1,445</b>
1,343	Assets newly classified as held for sale	350
102	Revaluation gain	-
(912)	Assets sold	(1,445)
<b>1,445</b>	<b>Balance at 31 March</b>	<b>350</b>

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

**14 Creditors**

The analysis of Creditors is shown below:

2021/22		2022/23
£000		£000
(6,251)	Trade payables	(10,059)
(1,306)	Other payables	(1,388)
<b>(7,557)</b>		<b>(11,447)</b>

**15 Grant receipts in advance**

The Authority has **£1,303k** grant receipts in advance (2022 - £1,233k), all of which is for revenue purposes.

**16 Provisions**

	Risk protection provision	Non-domestic rating appeals	Provision for taxation on pension scheme	Total provisions
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>(125)</b>	<b>(854)</b>	<b>(15)</b>	<b>(994)</b>
Adjustment to opening balance	-	-	-	-
Additional provisions made in year	-	193	(6)	187
Amounts used in year	-	-	21	21
Unused amounts reversed in year	-	-	-	-
<b>Balance at 31 March</b>	<b>(125)</b>	<b>(661)</b>	<b>-</b>	<b>(786)</b>

The balance of the Risk Protection provision at 31 March 2023 was £125k (2022 - £125k) and includes provision for claims for motor, employers' liability and public liability policies.

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

## 17 Usable Reserves

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

### 17.1 General Fund

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

### 17.2 Capital Receipts Reserve

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

## 18 Unusable Reserves

An analysis of the unusable reserves is shown below:

2021/22 £000		2022/23 £000
41,336	Revaluation Reserve	43,840
66,978	Capital Adjustment Account	66,198
(1,269)	Holiday Pay Account	(1,353)
(418)	Collection Fund Adjustment Account	1,557
(902,453)	Pensions Reserve	(585,412)
<u>(795,826)</u>		<u>(475,170)</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.

2021/22 £000		2022/23 £000
38,180	<b>Balance at 1 April</b>	41,336
5,491	Upward revaluation of assets	4,778
5,491	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	4,778
(644)	Difference between fair value depreciation and historical cost depreciation	(696)
(1,691)	Accumulated gains on assets sold	(1,578)
(2,335)	Amount written off to the Capital Adjustment Account	(2,274)
<u>41,336</u>	<b>Balance at 31 March</b>	<u>43,840</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. The note below provides details of the transactions posted to the Account:

2021/22 £000		2022/23 £000
67,402	<b>Balance at 1 April</b>	66,979
	<b>Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</b>	
(4,307)	Charges for depreciation & impairment of non current assets	(4,619)
700	Revaluation gains/(losses)	(102)
	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	
(3,270)	Adjusting amounts written out of the Revaluation Reserve	(2,808)
2,335	(See Note 18.1 above)	2,274
(4,542)	<b>Net written out amount of the cost of non current assets consumed in the year</b>	(5,255)
	<b>Capital financing applied in the year:</b>	
48	Capital receipts funding	332
3,950	Statutory provision for the financing of capital investment charged against the General Fund balance	4,100
120	Direct revenue financing of capital investment charged against the General Fund balance	42
4,118		4,474
66,978	<b>Balance at 31 March</b>	66,198

**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.

2021/22 £000		2022/23 £000
(828)	Balance at 1 April	(1,269)
(441)	Change in amounts accrued at the end of the current year	(84)
(1,269)	Balance at 31 March	(1,353)



### 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.

2021/22	2022/23
£000	£000
(3,170) Balance at 1 April	(418)
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	1,975
(418) Balance at 31 March	1,557

### 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.

2021/22	2022/23
£000	£000
(924,685) Balance at 1 April	(902,453)
38,385 Actuarial gains or (losses) on pension assets and liabilities	332,852
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	(15,811)
(902,453) Balance at 31 March	(585,412)

### 19 Governance Expenses

Governance expenses paid to the Police, Fire and Crime Commissioner for Essex in 2022/23 totalled **£225k** (£221k for 2021/22).

**20 Officers' Remuneration**

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2022/23 is listed below:

Remuneration band	Number of officers	
	2021/22	2022/23
£50,000 - £54,999	43	75
£55,000 - £59,999	58	47
£60,000 - £64,999	20	43
£65,000 - £69,999	16	14
£70,000 - £74,999	10	8
£75,000 - £79,999	5	13
£80,000 - £84,999	1	1
£85,000 - £89,999	4	2
£90,000 - £94,999	2	4
£95,000 - £99,999	-	2
£100,000 - £104,999	2	1
£105,000 - £109,999	-	1
£110,000 - £114,999	1	1
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
£140,000 - £144,999	-	-
£145,000 - £149,999	1	-
£150,000 - £154,999	1	1

The tables below detail the individual remuneration of senior employees for 2022/23 and 2021/22 respectively.

**20.1 Senior Officer Remuneration 2022/23**

Senior Officer Remuneration	Salary		Car & Mileage Taxable Benefits	Health Insurance	Employers Pension Contribution
	Basic salary	Special allowances			
<b>2022/23</b>					
Chief Fire Officer and Chief Executive - Rick Hylton	£152,541	-	-	-	£43,920
Deputy Chief Fire Officer	£130,000	-	-	£1,395	£37,440
Director of Operations	£118,390	-	-	-	£34,365
Assistant Chief Executive Officer - People Values and Culture	£105,509	£1,239	-	-	£21,026
Director of Corporate Services	£113,834	-	£6,498	-	£22,885
Chief Finance Officer	£93,339	-	£344	-	£18,647

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

**20.2 Senior Officer Remuneration 2021/22**

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

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

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

**21 External Audit Costs**

The Authority paid £51k (2021/22 £45k) for external audit services carried out by the appointed auditor.

**22 Grant & Operational Income**

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

2021/22 £000		2022/23 £000
	<b>Specific grant income</b>	
3,619	Additional Pension Grant	3,517
857	New Dimension	857
568	FireLink	489
140	Protection Uplift	156
27	Other	366
<b>5,211</b>		<b>5,385</b>
	<b>Non specific grant income</b>	
1,087	Local Tax Income Guarantee Funding	-
1,542	Small Business Rate Relief	3,229
-	Services Grant	1,139
132	Tax Income Compensation Scheme	-
752	Local Council Tax Support	-
135	Covid 19 Support	-
<b>3,648</b>		<b>4,368</b>
	<b>Other Operational Income</b>	
130	Aerial Site Rental	148
246	Staff Secondments	315
22	Community Safety - Safer Essex Roads Partnership	74
52	Community Safety Youth Work - FireBreak courses	53
526	Shared Services/Collaboration Income	398
641	Other Operational Income	841
<b>1,617</b>		<b>1,829</b>
<b>10,476 Total</b>		<b>11,582</b>

**23 Related Parties**

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

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

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

**Police Fire and Crime Commissioner - Corporation Sole (PFCC)** - The Commissioner has control over the PFCC. A related party relationship arises where an individual is able to influence the policies of two entities. The Authority made net sales to the PFCC in 2022/23 of £328k (net purchases of £96k in 2021/22). This includes recharges for collaboration and office rent. At year end the Authority was owed £1k by the PFCC (2021/22, £2k).

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

**Essex Police** - The Police Fire and Crime Commissioner has control over Essex Police. A related party relationship arises where an individual is able to influence the policies of two entities. The Authority made net sales to Essex Police in 2022/23 of £7k (2021/22, £2k). This includes recharges for collaboration projects. At the year end, the Authority was owed £nil by Essex Police, (2021/22, £nil).

**Senior Officers of the Authority** - The total remuneration paid to senior officers is shown in note 20. Senior officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Senior officers of the Authority are required to declare whether they or any of their close family have been involved in any such related party transactions. Two senior officers of the Authority also acted as directors for a wholly owned trading facility, EFA (Trading) Limited, see further details below.

**EFA (Trading) Limited** - The Authority had wholly owned subsidiary – EFA (Trading) Limited. The company ceased trading on 31 December 2020 and was liquidated in 2021/22 - the final distribution to the Authority was £147k. The Authority did not make any sales to EFA (Trading) Limited in 2022/23 (£nil in 2021/22).

## 24 Capital Expenditure and Capital Financing

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

2021/22 £000	2022/23 £000
32,719	31,734
<b>Opening Capital Financing Requirement</b>	
<b>Capital investment</b>	
3,132	4,843
Property, plant and equipment	
<b>Sources of finance</b>	
(47)	(332)
Capital receipts	
<b>Sums set aside from revenue:</b>	
(3,950)	(4,100)
Revenue provision for capital financing	
(120)	(42)
Revenue contribution to capital	
31,734	32,103
<b>Closing Capital Financing Requirement</b>	
<b>Explanation of movements in year</b>	
(985)	369
Increase/(Decrease) in underlying need to borrow	
(985)	369
<b>Increase/(Decrease) in Capital Financing Requirement</b>	

## 25 Operating Leases

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

2021/22 £000	2022/23 £000
Commitments under operating leases	
80	15
Property - Not later than one year	
30	17
Vehicles - Not later than one year	
15	-
Property - Later than one year and not later than five years	
124	141
Vehicles - Later than one year and not later than five years	
-	-
Property - Later than five years	
249	173

## 26 Redundancy and Early Retirement Costs – Exit Packages

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

These costs are recognised only when the Authority is demonstrably committed to terminate the employment on affected employees.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Packages	---Number of Staff---		Total £000
	Compulsory	Other Departures	
<b>2022-23</b>			
Up to £5k	1	1	6
£5k to £10k	1	-	8
£10k to £15k	1	-	11
£45k to £50k	1	-	48
<b>Total 2022-23</b>	<b>4</b>	<b>1</b>	<b>73</b>
<b>2021-22</b>			
up to £20k	1	-	15
£20k to £25k	1	-	25
£25k to £30k	2	-	51
£30k to £35k	-	1	33
£50k to £55k	1	-	50
<b>Total 2021-22</b>	<b>5</b>	<b>1</b>	<b>174</b>

The total cost of **£73k** above has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

## 27 Pensions

### 27.1 Participation in Pension Schemes

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

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

### 27.2 Transactions Relating to Retirement Benefits

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

#### McCloud/Sargeant ruling on pension account disclosures

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

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

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

The following transactions have been made during the year:

	LGPS		Firefighters	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
<b>Net cost of services:</b>				
Service cost	6,308	5,864	18,421	14,196
Net interest on the defined liability (asset)	738	749	17,500	22,372
Administration expenses	35	47	-	-
Remeasurements in Other Comprehensive Income	(12,297)	(29,310)	(26,088)	(303,542)
<b>Net charge to the CIES</b>	<b>(5,216)</b>	<b>(22,650)</b>	<b>9,833</b>	<b>(266,974)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>				
Reversal of net charges made for retirement benefits in accordance with IAS 19	(7,081)	(6,660)	(35,921)	(36,568)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	2,773	2,920	24,128	24,492

### 27.3 Assets and Liabilities in Relation to Retirement Benefits

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

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

The Local Government Pension Scheme contributions payable by employers are determined by the actuary to the Pension Fund based on triennial valuations, the most recent of which was at 31 March 2019. This determined the level of contributions payable during the year.

In the year ended 31st March 2023, there was a significant change in the valuation of both pension schemes (see below). This has arisen due to the discount rate used in the scheme valuation, which has increased from 2.6% to 4.8% (see note 27.5).



Reconciliation of asset and benefit obligation:

	LGPS		Firefighters	
	31/03/22	31/03/23	31/03/22	31/03/23
	£000	£000	£000	£000
<b>Opening Defined Benefit Obligation</b>	(111,388)	(112,225)	(886,891)	(872,596)
Current service cost	(6,216)	(5,863)	(18,171)	(14,196)
Interest cost	(2,219)	(2,897)	(17,500)	(22,372)
Change in assumptions	6,984	55,835	27,474	350,356
Liabilities assumed on settlements	-	-	-	-
Experience (loss)/gain on defined benefit obligation	(224)	(10,848)	(1,386)	(46,814)
Estimated benefits paid net of transfers in	1,795	2,572	27,635	28,147
Past service costs, including curtailments	(92)	(1)	(250)	-
Contributions by Scheme participants	(884)	(940)	(3,507)	(3,655)
Unfunded pension payments	19	18	-	-
Impact of asset ceiling	-	(14,570)	-	-
<b>Closing Defined Benefit Obligation</b>	<b>(112,225)</b>	<b>(88,919)</b>	<b>(872,596)</b>	<b>(581,130)</b>

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

	LGPS		Firefighters	
	31/03/22	31/03/23	31/03/22	31/03/23
	£000	£000	£000	£000
<b>Opening fair value of Scheme assets</b>	73,146	81,972	-	-
Interest on assets	1,481	2,148	-	-
Return on assets less interest	5,537	(1,855)	-	-
Administration expenses	(35)	(47)	-	-
Contributions by employer including unfunded	2,773	2,920	24,128	24,492
Contributions by Scheme participants	884	940	3,507	3,655
Estimated benefits paid plus unfunded net of transfers in	(1,814)	(2,590)	(27,635)	(28,147)
Other actuarial gains/(losses)	-	748	-	-
Settlement prices received	-	-	-	-
<b>Closing fair value of Scheme assets</b>	<b>81,972</b>	<b>84,236</b>	<b>-</b>	<b>-</b>

There is a difference between the pensions reserve and these tables as the above do not include accumulated movements for ill health (£401k).

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

## 27.4 Scheme History

LGPS	31/03/19	30/03/20	30/03/21	30/03/22	31/03/23
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	56,894	54,972	73,146	81,972	84,236
Adjustment for IFRIC 14 asset ceiling	-	-	-	-	(14,570)
Present Value of Defined Benefit Obligation	(84,865)	(81,006)	(111,388)	(112,225)	(74,349)
Surplus/(deficit) in the Scheme	<b>(27,971)</b>	<b>(26,034)</b>	<b>(38,242)</b>	<b>(30,253)</b>	<b>(4,683)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£670.0m** (£984.8m 2021/22) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of **£585.8m** (£902.5m 2021/22).

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 2024 is **£3.2m**. Expected contributions for the Fire pension Scheme in the year to 31 March 2024 are **£9.2m**.

The Authority is required to take notice of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, following the LGPS moving from a net defined benefit liability to a net defined benefit asset position in 2022/23, and need to consider whether there is an asset ceiling that would limit the Authority's ability to recognise this asset. The asset ceiling is measured at the lower of the surplus in the defined benefit plan and the asset ceiling, calculated as an estimate of the present value of the economic benefit which the employer can realise through either; a) refunds or b) through reductions in future contributions. Based on the application of these calculations, the Authority has applied an asset ceiling of **£14.6m** in 2022/23 (2021/22 £nil), which has reduced the overall pension asset recognised to a liability of **£4.7m** (2021/22 £30.3m).

### **27.5 Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Full actuarial valuations are carried out on a tri-annual basis. In the intervening periods the roll-forward approach is used where assumptions are based on experience and estimates, rather than actual membership data to arrive at net pension liabilities. This approach does result in some level of estimation uncertainty in the intervening years, but any differences are accounted for through Other Experience when actual membership data is used on each full tri-annual revaluation. The annual Fire Authority budget will make allowance for the firefighter's pension scheme payments based on an estimate of when such payments fall due. The Authority's budget is set taking the employer's pension contribution into account and government grant is received to cover any shortfall in the account.

Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, has assessed both the Firefighters' scheme and the Local Government Pension Scheme liabilities.

The main assumptions used in their calculations are as follows:

Mortality assumptions:	LGPS		Firefighters	
	2022	2023	2022	2023
<i>Longevity at 65 for future pensioners:</i>				
Men	23.0 years	22.3 years	21.8 years	21.9 years
Women	25.1 years	25.0 years	24.3 years	24.4 years
<i>Longevity at 65 for current pensioners:</i>				
Men	21.6 years	21.1 years	20.5 years	20.6 years
Women	23.7 years	23.5 years	22.8 years	22.9 years
Inflation/Pension Increase Rate	NLR	NLR	NLR	NLR
Salary Increase Rate	4.20%	3.85%	4.30%	3.90%
Rate of increase in pensions	3.20%	2.85%	3.30%	2.90%
Discount Rate	2.60%	4.80%	2.60%	4.80%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>				
Service to April 2009	50%	50%	50%	50%
Service post April 2009	50%	50%	50%	50%

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

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

	LGPS		Firefighters	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Longevity (increase or decrease in 1 year)	76,852	71,936	604,480	558,736
Rate of increase in salaries (increase or decrease by 0.1%)	74,462	74,236	582,254	580,013
Rate of increase in pensions (increase or decrease by 0.1%)	75,590	73,142	589,219	573,251
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	73,054	75,679	572,304	590,183

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	
	31/03/22	31/03/23
	£000	£000
Equities	49,218	48,521
Bonds	5,547	1,232
Property	6,723	6,899
Cash	2,080	2,716
Alternative assets	10,130	13,332
Other managed funds	8,274	11,536
	<b>81,972</b>	<b>84,236</b>

### 27.6 Pensions Reserve

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

	LGPS		Firefighters	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
<b>Opening balance:</b>	38,242	30,253	886,891	872,596
Current service cost	6,216	5,863	18,171	14,196
Interest cost	2,219	2,897	17,500	22,372
Changes in assumptions	(6,984)	(55,835)	(27,474)	(350,356)
Experience loss/(gain) on defined benefit obligation	224	10,848	1,386	46,814
Liabilities assumed on settlements	-	-	-	-
Past service cost, including curtailments	92	1	250	-
Contributions by employer including unfunded	(2,773)	(2,920)	(24,128)	(24,492)
Interest on assets	(1,481)	(2,148)	-	-
Return on assets less interest	(5,537)	1,855	-	-
Other actuarial gains/(losses)	-	(748)	-	-
Administration expenses	35	47	-	-
Impact of asset ceiling	-	14,570	-	-
<b>Balance at 31 March</b>	<b>30,253</b>	<b>4,683</b>	<b>872,596</b>	<b>581,130</b>

There is a difference between the Firefighters' pension liability on the Balance Sheet and these tables as the above do not include accumulated movements for ill health £401k (£396k in 2021/22).

**Firefighters' Pension Fund Account**

Year Ended 31 March 2023

2021/22 £000	2022/23 £000
<b>Contributions receivable</b>	
From employer	
(7,888) Normal contributions	(8,240)
(157) Early retirements	(204)
(3,587) From members	(3,739)
<b>Transfers in</b>	
(223) Individual transfers in from other schemes	(79)
<b>Benefits payable</b>	
20,609 Pensions	21,679
5,387 Commutations and lump sum retirement benefits	4,985
<b>Payments to and on account of leavers</b>	
- Individual transfers out to other schemes	64
14,141 <b>Deficit for the year before top-up grant receivable from central government</b>	<b>14,466</b>
(14,141) Top up grant payable by sponsoring department	(14,466)
- <b>Net amount payable for the year</b>	<b>-</b>

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

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2023.

**Firefighters' Pension Fund Net Assets Statement**

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

**As at 31 March 2023**

2021/22 £000	2022/23 £000
<b>Net current assets and liabilities</b>	
(3,500) Top up payable to/(receivable from) sponsoring department	(5,414)
- Prepaid scheme expenditure	1,900
3,500 Amount owing to general Fund	3,514
-	-

Included within the Pension Fund Net Assets Statement is prepaid scheme expenditure of £1.9m (2022 - £nil), being amounts paid at the end of the financial year in respect of future periods due to the timing of pension payments.

**The Firefighters' Pension Scheme in England**

There are three firefighter pension schemes the 1992, 2006 and 2015 schemes. The Firefighters Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. The Scheme changed on the 1st April 2015 from a Final Salary Scheme to a Career Average Revalued Earnings Scheme (CARE). Members starting after the 1st April 2015, and members of the 1992 and 2006 Final Salary Schemes moved into the new 2015 Scheme, unless protections applied.

The funding arrangements for the Firefighters' Pension Scheme in England were introduced on 1 April 2006 by regulation under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. Prior to 1 April 2006 the firefighter scheme did not have a percentage of pensionable pay type of employer's contribution, the Authority was responsible for paying pensions of its former employees on a pay-as-you-go basis.

Under new funding arrangements the schemes remain unfunded but will not be on a pay-as-you-go basis as far as the Authority is concerned. Apart from the costs of injury awards the Authority no longer meets pension outgoings directly, instead it pays an employer's pension contribution based on a percentage of pay into the Pension Fund. This percentage of pay is based on a scheme valuation that takes place triennially reflecting up to date scheme membership and forecasts of outgoings.

The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the fund are specified by regulation. The Pension Fund is managed by the Authority and the day-to-day administration of the scheme is provided under contract by Essex Pension Fund.

**Accounting policies**

The Authority's accounting policies apply to the fund and are prepared on an accruals basis, apart from transfer values which are accounted for on a cash basis. Transfer payments between English Fire Authorities were repealed by Regulation 36 of Statutory Instrument 1810/2006. Therefore, any transfer payments which arise relate to firefighters transferring to/from Welsh and Scottish authorities or transferring out of the Firefighters Pension Scheme entirely.

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 HO (Home Office) the amount by which the amounts receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from HO equal to the amount by which the amounts payable from the fund exceeded the amounts receivable.

Details of the Authority's long term pension obligations can be found under notes to the Accounting Statements Note 27.

## Glossary Of Terms

### **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.

### **Assets held for sale**

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

### **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.

### **Collection fund**

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

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

**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.

**Impairment**

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

**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.

**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.

**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.

**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.

**Precept**

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

**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.

**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.

**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.

**Revenue expenditure**

The day-to-day expenses of providing services.



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