



EAST SUSSEX FIRE AUTHORITY

SCRUTINY & AUDIT PANEL

THURSDAY 14 SEPTEMBER 2017 at 10:00

MEMBERS

East Sussex County Council

Councillors Galley, Lambert, Osborne, Sheppard, Taylor

Brighton and Hove City Council

Councillors Peltzer Dunn, Penn

You are requested to attend this meeting to be held at County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE at 10:00 hours.

AGENDA

Item No.	Page No.	
104.	1	In relation to matters on the agenda, seek declarations of interest from Members relating to items to be considered at the meeting, in accordance with the provisions of the Fire Authority's Code of Conduct for Members.
105.	1	Apologies for Absence.
106.	1	Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items. (Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgently).
<u>107.</u>	4	Non-confidential Minutes of the last Scrutiny & Audit Panel meeting held on 24 July 2017 (copy attached).

Item No.	Page No.	
108.	2	<p>Callover.</p> <p>The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.</p>
109.	10	Appointment of External Auditors – report of the Assistant Director Resources/Treasurer (copy attached).
110.	18	External Auditor’s Audit Results Report (ISA 260) and Statement of Accounts 2016/17 - report of the Assistant Director Resources/Treasurer (copy attached).
111.	93	2017/18 1st Quarter Performance Results – report of the Assistant Director Planning & Improvement (copy attached).
112.	110	2017/18 1st Quarter Corporate Projects Progress Report - report of the Assistant Director Planning & Improvement (copy attached).
113.	112	2017/18 1st Quarter Health, Safety & Well-being – report of the Assistant Director Training & Assurance (copy attached).
114.	116	Fatal Accidental Fires Report 2016/17 – report of the Deputy Chief Fire Officer (copy attached).
115.	138	2016/17 Annual Report of the East Sussex Fire & Rescue Service Local Firefighters’ Pension Board – report of the Assistant Director HR & OD (copy attached).
116	2	<p>Exclusion of the Press and Public.</p> <p>To consider whether, in view of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the remainder of the meeting on the grounds that, if the public and press were present, there would be disclosure to them of exempt information.</p> <p>NOTE: Any item appearing in the confidential part of the Agenda states in its heading the category under which the information disclosed in the report is confidential and, therefore, not available to the public.</p>
117.	-	Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 24 July 2017.

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118	- Internal Audit Review - Cyber Security - confidential report of the Assistant Director – Resources / Treasurer. (Exempt category under paragraph 7 of the Local Government Act 1972).
119.	- Sussex Control Centre – Progress Update – confidential report of the Interim Assistant Chief Fire Officer. (Exempt category under paragraph 3 of the Local Government Act 1972).

ABRAHAM GHEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority
c/o Brighton & Hove City Council

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at County Hall, St. Anne's Crescent, Lewes, East Sussex at 14:00 hours on Monday 24 July 2017.

Members Present: Councillors Galley, Osborne, Sheppard, Taylor, Peltzer Dunn, Penn.

Also present: Councillor John Barnes.

Also present:

Ms. D. Whittaker (Interim Chief Fire Officer), Mr. M. Andrews (Interim Deputy Chief Fire Officer), Ms. E. Woodley (Deputy Monitoring Officer), Mr. D. Savage (Assistant Director Resources / Treasurer), Mr. P King, Ernst & Young (External Auditor), Mr. A. Sams (Democratic Services Support & Research Officer).

087. **INTERESTS**

087.1 It was noted that, in relation to matters on the agenda, no participating Member had any interest disclosable in accordance with the provisions of the Fire Authority's Code of Conduct for Members.

088. **APPOINTMENT OF CHAIRMAN**

088.1 **RESOLVED** That Councillor Roy Galley be appointed Chair of the Panel for the remainder of the civic year.

089. **APOLOGIES FOR ABSENCE**

089.1 Apologies for absence were received from Councillor Carolyn Lambert.

090. **NOTIFICATION OF ITEMS WHICH THE CHAIR CONSIDERS URGENT / CHAIR'S BUSINESS**

090.1 Members received an urgent report from the Interim Chief Fire Officer regarding the PCC's (Police and Crime Commissioner) proposal for taking control of fire and rescue services in Sussex. It was noted that the PCC had dropped plans for taking control of the fire and rescue services in East Sussex.

090.2 Councillor Barnes suggested that in light of the news regarding the PCC that a cross party working group be created to extend the governance review of the East Sussex Fire and Rescue Service.

091. **NON-CONFIDENTIAL MINUTES OF THE SCRUTINY & AUDIT PANEL MEETING HELD ON 27 APRIL 2017**

091.1 **RESOLVED** – That the non-confidential minutes of the meeting of the Scrutiny & Audit Panel held on 27 April 2017 be approved as a correct record and signed by the Chair. (Copy in Minute Book).

092. **CALLOVER**

092.1 Members reserved the following items for debate:

093. Assessment of the Corporate Framework and Annual Governance Statement for 2016/17

095. 2016/17 Annual Performance Outcome Report

096. Health and Safety Year End Report 2016-17

097. 2016/17 – Statement of Operational Assurance

098. Fire in Waste and Recycling Facilities

092.2 **RESOLVED** – That all other reports be resolved in accordance with the recommendations as detailed below.

093. **ASSESSMENT OF THE CORPORATE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT FOR 2016/17**

093.1 Members considered a joint report of the Chief Fire Officer, Assistant Director Resources / Treasurer and Monitoring Officer that set out how the Fire Authority had assessed the effectiveness of its governance arrangements and sought approval of the Annual Governance Statement in line with the Accounts and Audit Regulations 2015. (Copy in Minute Book).

093.2 The Fire Authority is required under the Accounts and Audit Regulations 2015 to conduct an annual review of the effectiveness of its system of internal control and to prepare an annual governance statement in accordance with proper practices to accompany its Statement of Accounts. The review had been carried out by the Governance Group of senior officers in line with the Fire Authority's Local Code of Corporate Governance.

093.3 As part of this review officers had not identified any gaps in assurance over key risks or significant governance issues but had identified a range of improvements to the Authority's performance management framework, to ensure the Authority respond effectively to the Fire Reform Agenda and to complete the implementation of the accident investigation action plan for the Service Training centre. It was noted that Action Plans were now in place to address the necessary improvements and these would be monitored during the year. The draft Annual Governance Statement had been endorsed by the Corporate Management Team.

093.4 Interim CFO Whittaker informed Members that Action 8, Review the delivery of the Equality and Diversity Strategy (AD-HR), listed in Appendix 3 of the report has now been approved.

- 093.5 **RESOLVED** – That:
- i. Members were satisfied with the level of assurance provided to them through this report and the Authority’s governance framework and processes;
 - ii. no significant governance issues were identified that should be included in the Authority’s Annual Governance Statement; and
 - iii. the Annual Governance Statement be approved to be signed by the Chair of this Panel and the Chief Fire Officer.

094. **CORPORATE RISK REGISTER REVIEW 2017/18 FIRST QUARTER**

094.1 Members considered a joint report of the Chief Fire Officer and Assistant Director Resources / Treasurer on the latest quarterly review of Corporate Risk which sought their agreement on outcomes. (Copy in Minute Book).

094.2 Members were informed of the established procedures in place for ensuring that risks were identified and managed for all corporate projects, with all high risks identified in the Project RAID (Risks, Assumptions, Issues, and Dependencies) logs being collated and reported to Corporate Management Team (CMT) to allow any themes to be identified and risks to be escalated to the corporate risk log as necessary. The latest series of meetings with Corporate Risk Owners was carried out during the first quarter of this year to update risk management action plans and review the position of each risk.

094.3 **RESOLVED** –That the latest Corporate Risk Register be approved.

095. **2016/17 ANNUAL PERFORMANCE OUTCOME REPORT**

095.1 Members considered a report of the Assitant Director Planning & Improvement that presented the 2016/17 Performance Outcome results. (Copy in Minute Book).

095.2 Members were advised that nine top level indicators improved or met the target set in 2016/17 (53%) and eight indicators stayed the same or declined.

095.3 Councillor Penn requested further information regarding the rise in deliberate primary fires in Lewes Borough. She was concerned that the number in 2015/16 was 19 and this had risen to 39 in 2016/17. Interim DCFO Andrews explained that this rise was due to a number of fires which took place at HM Prison Lewes. In response to this rise there is due to be a joint investigation between ESFRS and the Crown Premises Fire Inspection Group, which hold responsibility for investigating fires in prisons. Members were also informed that all those committing prison fires are sought for prosecution as a deterrent.

095.4 Councillor Taylor requested further information regarding the rules for cigarette smoking within prisons. He felt that there has been an increase in media attention in this area. Interim DCFO Andrews explained that government plans to make prisons non-smoking had now been changed to only banning smoking within prison cells.

- 095.5 Councillor Osborne raised a question regarding false alarm calls. She was concerned that 50% of the total incidents in 2016/17 were responding to false alarm calls and requested information regarding whether private businesses can be charged for repeat false alarm calls. Interim CFO Whittaker explained that a call challenge policy was in action where responsible business owners are asked to confirm the need for attendance and that this was providing some reduction in responding to false alarms. It was stated that the risk management plan has a specific section which focuses on identifying a range of options for reducing false alarm calls, and that a charge could be considered as an option.
- 095.6 Councillor Osborne raised a concern regarding the increase of staff sickness in the control room of 82.7% since 2015/16. It was noted the high level of staff sickness was primarily due to a small number of staff having high levels of absence.
- 095.7 Councillor Penn sought assurance that temporary accommodation is counted as a vulnerable residence and that they receive home fire safety checks. She was concerned that due to high demand, temporary accommodation was being developed outside of Brighton. Interim DCFO Andrews stated that it is the responsibility of the local authority to inform ESFRS of the locations of temporary accommodation and that they would be eligible to receive home fire safety checks.
- 095.8 Councillor Galley requested information on the total number of vulnerable people that ESFRS visit when performing home safety checks. Interim DCFO Andrews explained that there is currently not an exact figure but that there is specific targeting based on the categories within the classifications of vulnerability but that this information could be provided to Members.
- 095.9 Councillor Taylor requested information regarding whether a policy of evacuation or staying in rooms during a fire was in place at CQC (Care Quality Commission) care homes. Interim DCFO Andrews stated policy at individual care homes was dependent on a range of factors including the size of the building and number of floors. He stated that ESFRS are entering into a formal memorandum of understanding with the CQC to find a balanced view on evacuation policy. Councillor Taylor stated that he felt consistency of policy should be key throughout care homes.
- 095.10 **RESOLVED** – That the 2016/17 performance results be noted
096. **HEALTH AND SAFETY YEAR END REPORT 2016-17**
- 096.1 Members considered a report of the Assistant Director Training and Assurance that provided a summary of health and safety statistics for the year end of 2016/17, and a brief overview of health, safety and well-being activity that has taken place over the previous 12 months. (Copy in Minute Book).
- 096.2 Councillor Peltzer Dunn requested that there be a further breakdown of information regarding the causes of staff sickness that are related to stress. DCFO Andrews stated that two policies were looking into the root causes of stress related sickness. The Healthy Body, Health Mind project is staff led and is looking at whether any improvements can be made in the induction and appraisal process, and the Trauma

Risk Management policy is developing better intervention and prevention of trauma cases.

- 096.3 Councillor Osborne commented that control room staff are facing indirect trauma when responding to a large number of calls. CFO Whittaker concurred with Councillor Osborne's comments and stated that control room staff will also be included within the Trauma Risk Management policy.
- 096.4 Councillor Penn requested that a future briefing is made regarding the progress of the Trauma Risk Management policy.
- 096.5 **RESOLVED** – That Members
- i. note the 2016/17 health and safety statistics for the year end as set out in the report.
 - ii. note the health and safety activity over the last 12 months.

097. **2016/17 – STATEMENT OF OPERATIONAL ASSURANCE**

- 097.1 Members considered a report of the Chief Fire Officer that presented the Statement of Operational Assurance 2016/17 for approval. (Copy in Minute Book).
- 097.2 **RESOLVED** – That the East Sussex Fire & Rescue Service's Statement of Operational Assurance be approved for formal sign off by the Chair of the Scrutiny & Audit Panel and the Chief Fire Officer.

098. **FIRE IN WASTE AND RECYCLING FACILITIES**

- 098.1 Members received a report of the Deputy Chief Fire Officer Assistant Director Resources / Treasurer which reported on the report on the issues arising from a number of waste and recycling site fires across East Sussex. (Copy in Minute Book).
- 098.2 This paper provides some background on the expansion of the waste and recycling sector in the UK and the impacts on fire and rescue services. It provides a review of the waste site fires that have occurred in East Sussex. It then sets out the current powers and responsibilities held by different public bodies relating to fire safety in recycling and waste management sites, along with a proposal for a joint working agreement to be signed by East Sussex Fire & Rescue Service (ESFRS) and the Environment Agency.
- 098.3 Interim Deputy Chief Fire Officer (DCFO), Mark Andrews, informed Members that he will be leading a working group formed by the National Fire Chief Council to look at the specific issue of waste and recycling site fires and the key task of this group will be to improve response.
- 098.4 Interim DCFO Andrews informed Members that a memorandum of understanding has been entered into between ESFRS and the Environment Agency, this is to enable the two organisations to work in tandem to prioritise high risk sites. Councillor Galley asked for clarification regarding the role of local authorities within this partnership working, it was confirmed that local authorities are involved and referred to within the report.

- 098.5 Councillor Osborne raised a concern that waste sites are being categorised as low risk. Interim DCFO Andrews stated that in terms of loss of life these type of fires are low risk, but in terms of public disruption they are high risk.
- 098.6 Councillor Taylor raised a concern regarding the level of risk associated with wood chip fires. Interim DCFO Andrews explained that there is now national guidance from the Environment Agency which should ensure safety for these types of facilities.

RESOLVED – That the Panel:

1. note the report; and
2. support the signing of the Joint Working Agreement between ESFRS and the Environment Agency.

099. **EXCLUSION OF THE PRESS AND PUBLIC**

- 099.1 **RESOLVED** – That item 101 be exempt as specified in paragraph 7 of Part 1 Schedule 12A of the Local Government Act 1972 as amended i.e. that it includes information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. That item 102 be exempt as specified in paragraph 3 of Part 1 Schedule 12A of the local Government Act 1972, i.e. that it includes information relating to the business affairs of the Fire Authority. That item 103 be exempt as specified in paragraph 3 and 4 of Part 1 Schedule 12A of the local Government Act 1972, i.e. that it includes information relating to the business affairs of the Fire Authority and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.

The meeting concluded at 16:03 hours

Signed

Chairman

Dated this

day of

2017

EAST SUSSEX FIRE AUTHORITY

Meeting: Scrutiny & Audit Panel
Date: 14 September 2017
Title of Report: Appointment of External Auditors
By: Duncan Savage, Assistant Director - Resources / Treasurer
Lead Officer: Duncan Savage, Assistant Director - Resources / Treasurer

Background Papers: Fire Authority 14 February 2017 – Appointment of External Auditors (Item 972)
 Scrutiny & Audit Panel 2 February 2017 – Appointment of External Auditors (Item 69)
 Scrutiny & Audit Panel 26 May 2016 – Changes to the arrangements for the appointment of External Auditors (Item 026)

Appendices: A – E-mail from Public Services Audit Appointments Limited

Implications:

CORPORATE RISK		LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT			

PURPOSE OF REPORT To consult the Panel on Public Services Audit Appointments Limited’s (PSAA) proposal to appoint Ernst & Young (EY) LLP as our external auditors from 1 April 2018.

EXECUTIVE SUMMARY Following the abolition of the Audit Commission, the Government appointed Auditors for each local authority by means of a national procurement exercise. The Auditors were appointed with effect from the financial year 2013/2014 on a three year contract with an optional extension for a further 2 years. The parties have agreed to extend the contract which now expires at the completion of the 2017/18 audit.

With effect from the financial year 2018/19, public bodies must appoint their own auditors following a process of competition. This Authority has opted into the collective appointment process for external auditors administered by Public Sector Audit Appointments Limited (PSAA).

PSAA has completed its procurement process and is now consulting with audited bodies on its proposals for auditor appointments. PSAA proposes to appoint Ernst & Young (EY) LLP as the Authority's external auditors from 1 April 2018.

RECOMMENDATION

That the Panel accepts Public Sector Audit Appointment Limited's (PSAA) proposal to appoint EY LLP as the Authority's external auditors from 1 April 2018.

1. INTRODUCTION

- 1.1 The Local Audit and Accountability Act 2014 abolishes the Audit Commission and repeals the Audit Commission Act 1998. Its aim, as stated in DCLG guidance, is to give local bodies the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence.
- 1.2 This Authority is a "relevant authority" within the scope of the Act, the key accounting and audit obligations will be to keep adequate accounting records and an annual statement of accounts for years ending 31 March; and have accounts audited in accordance with the Act by a local auditor appointed under the Act.
- 1.3 The Authority's current external auditor is EY, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by PSAA, the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State CLG. Over recent years local authorities have benefited from reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Authority's external audit fee for 2017-18 is £30,766.
- 1.4 For local government (including fire authorities), these transitional arrangements have been extended to include the audit of the accounts for 2017/18. For the 2018/19 year of audit, the Authority can make its own arrangements to appoint the external auditor. The 2014 Act sets out the framework and requirements within which this appointment can be made. In accordance with the Act the Authority will need to conclude this appointment by the end of December 2017.

1.5 In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

1.5 At its meeting on 14 February 2017 the Authority agreed to opt into the PSAA collective scheme for appointing its external auditor. This was in line with the decision of all Fire Authorities and the vast majority of other local authorities affected.

2. **UPDATE**

2.1 In June 2017 PSAA announced the outcome of its procurement process and the award of the following contracts:

- Lot 1 (value: approx. £14.4 million per audit year) awarded to Grant Thornton LLP;
- Lot 2 (value: approx. £10.9 million per audit year) awarded to EY LLP;
- Lot 3 (value: approx. £6.6 million per audit year) awarded to Mazars LLP;
- Lot 4 (value: approx. £2.2 million per audit year) awarded to BDO LLP;
- Lot 5 (value: approx. £2.2 million per audit year) awarded to Deloitte LLP; and
- Lot 6 (value not pre-determined) awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

These contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so.

2.2 PSAA expects that local government and police bodies throughout England will pay reduced fees for audit services following the results of the procurement process. Aggregate savings are expected to exceed £6m per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies. For this Authority that equates to a saving of approximately £5,500 pa.

2.3 The PSAA's timetable for the remainder of the appointment process is set out overleaf.

Activity	Target date
Prepare schedule of proposed appointments	12 July 2017
PSAA Board approve proposed appointments	19 July 2017
Consult firms on proposed schedule of appointments	20 July – 14 August 2017
Consult audited bodies on proposed appointment	14 August – 22 September 2017
Review representations and consult on alternative proposed appointment – iteration 1	23 September – 27 October 2017
Review representations and consult on alternative proposed appointment – iteration 2	28 October – 27 November 2017
PSAA Board approves appointments	14 December 2017
PSAA issues appointment confirmation letters	18 December 2017

2.4 PSAA is now formally consulting the Authority on its proposal to appoint EY to audit our accounts for five years from 2018/19, starting from 1 April 2018. A copy of the full communication from PSAA is attached at Appendix 1. The deadline for the Authority to respond is 22 September 2017.

2.5 Any objection to the appointment of EY must be on the following grounds:

- there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA – there are no independence issues in relation to EY;
- there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA – the Authority currently purchases financial services from East Sussex County Council / Orbis but does not share the same external auditor – this arrangement has not caused any material problems since EY's original appointment. The Authority is currently considering the nature of any future wider collaboration or sharing of services (both operational and support) with other public sector bodies and PSAA makes clear in its communication that where this is the case (and joint working is not confirmed) they have opted to maintain continuity of existing auditor appointments where possible to minimise disruption. At this stage officers are content with this position and do not believe that it impedes the development of closer joint working; and
- there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm – there are no performance issues in relation to EY and it is the view of officers that their service since their appointment in 2012/13 has been professional, pragmatic and responsive.

2.6 The following appointments for other authorities in our area are also being consulted upon:

Grant Thornton LLP	EY LLP	Deloitte LLP
Hastings BC Rother DC Wealden DC East Sussex CC Surrey CC Brighton & Hove City Council	East Sussex Fire Authority Sussex Police / PCC Surrey Police / PCC	Eastbourne BC Lewes DC

2.6 PSAA has confirmed that whilst the decision to opt in to the collective arrangement required the approval of the full Fire Authority, the response to this consultation can be made by a subsidiary body such as the Scrutiny & Audit Panel.

2.7 The Panel should also be aware that under the Financial Reporting Council (FRC) Ethical Standard individual staff at audit firms are required to be changed after a maximum of seven years and EY have processes in place to comply with these requirements. PSAA [Terms of Appointment](#) reflect the requirements of the FRC Ethical Standard as follows:

- It is PSAA's policy that engagement leads at an audited body should act for an initial period of five years, extendable for an additional period of up to no more than two years, provided there are no considerations that compromise, or could be perceived to compromise, the auditor's integrity, objectivity or independence.
- PSAA will not approve any further extensions and therefore an engagement lead should act for no longer than seven years (continuously or in aggregate). The individual concerned should then have no further direct relationship with or involvement in work relating to the body concerned until a further period of five years has elapsed.

Paul King has been our EY engagement lead since the audit of the Authority's 2012/13 accounts and so, should he continue in that role under the new contract, he will reach the seven year limit after the audit of the 2018/19 accounts. EY will need to make arrangements for a new engagement lead to be appointed after that date.

3. CONCLUSION

3.1 The Authority has opted into the PSAA process for the appointment of its external auditors from 1 April 2018. PSAA proposes to appoint the Authority's current auditors EY. There is no reason for the Authority to contest EY's appointment and so it is recommended that the Panel approves the PSAA proposal.

E-mail received from PSAA 15 August 2017

This is a formal communication to the chief executive and chief finance officer of East Sussex Fire Authority to consult on the auditor appointment from 2018/19

I am writing to consult you on the appointment of Ernst & Young LLP to audit the accounts of East Sussex Fire Authority for five years from 2018/19. The appointment will start on 1 April 2018.

Background

For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. More information on the [appointing person scheme](#) is available on our website.

About the proposed appointment

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

East Sussex Fire Authority has opted into PSAA's auditor appointment arrangements. We have sent regular email communications to audited bodies about this process, and wrote to you on 19 June 2017 to advise you that we had completed a procurement to let audit contracts from 2018/19. Ernst & Young LLP was successful in winning a contract in the procurement, and we propose appointing this firm as the auditor of East Sussex Fire Authority.

Ernst & Young LLP (EY) is a multinational professional services firm with 231,000 employees based in over 150 countries worldwide. They provide assurance, tax, consulting and advisory services, and are one of the "Big Four" accounting firms. EY employs around 13,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance service team, who are also able to draw from an extensive pool of specialists.

In developing this appointment proposal, we have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and

- providing continuity of audit firm if possible, but avoiding long appointments.

Further information on the [auditor appointment process](#) is available on our website.

You have previously indicated to PSAA that your authority is developing joint working arrangements with other neighbouring opted-in bodies, and that it may be helpful for all bodies in this arrangement to have the same audit firm. Our approach to auditor appointments where joint working arrangements are under consideration but not confirmed is to maintain continuity of the existing auditor appointment where possible, to minimise unnecessary disruption. We are therefore consulting on the basis of appointing EY LLP to audit East Sussex Fire Authority, with a view to considering a request to change the appointment when joint working arrangements are confirmed. However, we could consider an alternative appointment at this stage if that is now more appropriate.

Responding to this consultation

We are consulting you on the proposed appointment of Ernst & Young LLP to audit the accounts of East Sussex Fire Authority for five years from 2018/19. The consultation will close at **5pm on Friday 22 September 2017**.

If you are satisfied with the proposed appointment, please confirm this by email to auditorappointments@psaa.co.uk. No further action is needed from you.

The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017. We will write by email to all opted-in bodies after this Board meeting to confirm auditor appointments.

Process for objecting to the proposed auditor appointment

If you wish to make representations to PSAA about the proposed auditor appointment, please send them by email to auditorappointments@psaa.co.uk to arrive by **5pm on Friday 22 September 2017**.

Representations can include matters that you believe might be an impediment to the proposed firm's independence, were it to be your appointed auditor. Your email should set out the reasons why you think the proposed appointment should not be made. The following may represent acceptable reasons:

1. there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
2. there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
3. there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.

We will consider carefully all representations and will respond by Monday 16 October 2017 by email.

If your representations are accepted, we will consult you on an alternative auditor appointment between 16-27 October 2017. If your representations are not accepted,

we will confirm this to you. You may choose to make further representations to the PSAA Board, providing any additional information to support your case.

We will write to all bodies to confirm the Board's final decision on the appointment of the auditor before 21 December 2017.

Scale fees for 2018/19

We will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Further [information on the audit procurement](#) is available on our website.

Further information

If you have any questions about your proposed auditor appointment or the consultation process, please email us at auditorappointments@psaa.co.uk.
Yours sincerely

Jon Hayes

Chief Officer

EAST SUSSEX FIRE AUTHORITY

Meeting: Scrutiny & Audit Panel

Date: 14 September 2017

Title of Report: External Auditor’s Audit Results Report (ISA 260) and Statement of Accounts 2016/17

By: Duncan Savage, Assistant Director - Resources / Treasurer

Background Papers: None

Appendices:

1. External Auditor’s Audit Results Report (ISA260)
2. 2016/17 Statement of Accounts
3. Letter of representation

Implications

CORPORATE RISK		LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT: To present the results of the External Auditor’s Results Report (ISA 260) and to report an unqualified opinion on the Authority’s 2016/17 Statement of Accounts.

EXECUTIVE SUMMARY: The Authority’s External Auditor, Ernst & Young, is obliged to produce an Audit Results Report (ISA 260) which reports formally on the outcome of the audit of the Authority’s financial statements. The ISA 260 is attached as Appendix 1, as a separate document

As a result of the audit, Ernst & Young expects to issue an unqualified opinion and has not identified any material issues to be reported to Members. It is pleasing to note that Ernst & Young has made no recommendations for improvement as a result of its audit of the accounts, and raised no specific issues which require a response in the Letter of

Representation. A set of accounts is appended as Appendix 2. The letter of representation is appended as Appendix 3.

The ISA 260 confirms that the Authority has in place proper arrangements for securing value for money.

RECOMMENDATION:

The Panel is asked to:

- (i) Consider the External Auditor's Audit Results Report (ISA 260) and identify any issues it requires additional assurance upon;
- (ii) authorise the Panel Chairman and the Assistant Director Resources / Treasurer to sign the formal letter of representation to the External Auditor; and
- (iii) approve the 2016/17 Statement of Accounts for publication

Agenda Item No. 110

Appendix 1

**East Sussex Fire Authority
Audit Results Report**

Year ended 31 March 2017



EY

Building a better
working world

September 2017

Dear Scrutiny & Audit Panel Members

We have substantially completed our audit of East Sussex Fire Authority (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Scrutiny & Audit Panel, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee, other members of the Authority and management of [client] in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Scrutiny & Audit Panel, other members of the Authority and management of East Sussex Fire Authority those matters we are required to state to them in this 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 Scrutiny & Audit Panel, other members of the Authority and management of East Sussex Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 2 February 2017 Scrutiny & Audit Panel meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1,068,000 for the main financial statements and £222,760 for the pension fund accounts. We reassessed this using the actual year-end figures, which has decreased these amounts to £1,040,000 and £217,560 respectively. The threshold for reporting audit differences has decreased from £53,400 to £52,000 and from £11,138 to £10,878 respectively. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure and benefits payable.

Status of the audit

We have substantially completed our audit of East Sussex Fire Authority's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter
- Receipt of additional information from KPMG, East Sussex Pension Fund auditors



Executive Summary

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are no unadjusted audit differences arising from our audit.

We have identified a number of adjustments which have been corrected by management in the revised financial statements subject to approval. These are set out in Section 4.

We also identified a number of minor disclosure adjustments which have also been corrected by management. The more significant of these are set out in Section 4.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Scrutiny & Audit Panel.



Executive summary (continued)

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence.



02 Areas of Audit Focus

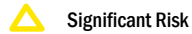




Areas of Audit Focus

Audit issues and approach: Significant risks

Management override



What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What did we do?

In order to address this risk we carried out a range of procedures including:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- reviewing significant accounting estimates (including valuations of property, plant and equipment and pensions) for evidence of management bias including a review of the methodology used to calculate the estimates at the year-end; and
- evaluating the business rationale for any significant unusual transactions.



Audit issues and approach: Other financial statement risks

Presentation of the financial statements



Other Risk

What are our conclusions?

We proposed some minor disclosure amendments that management have agreed to make in the financial statements.

In particular it should be noted that the Expenditure and Funding Analysis (EFA), although positioned amongst them, is not a Primary Statement (consistent with the Code Guidance notes).

As such, an additional narrative paragraph has been added to the EFA, to reflect this.

There were no other matters to report.

What is the risk?

Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Authority's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

- In order to address this risk we carried out a range of procedures including:
 - Reviewing the expenditure and funding analysis, CIES and new disclosure notes to ensure disclosures are in line with the Code;
 - Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Authority's organisational structure and how overheads are apportioned across the service areas reported; and
 - Agreeing restated comparatives figures to the Authority's segmental analysis and supporting working papers.



Audit issues and approach: Other financial statement risks (continued)

Property, Plant and Equipment valuations



Other Risk

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Authority's valuer. We have not identified any material issues in relation to the valuation however we did note some inconsistencies between the valuer's main report and supporting working papers.

We have no other matters to report.

What is the risk?

Property, Plant and Equipment represent a significant balance in the Authority's accounts and this is an area which involves judgemental inputs and estimates.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewing the competence and capability of the valuer and assessing their work, including reviewing the figures produced for the revaluation of the assets and ensuring that an appropriate basis for valuation has been used;
- Agreeing the figures produced by the valuer for the revaluation of the assets to the asset register; and
- Testing the accounting transactions for the adjustments made in the financial statements to ensure the accounts are materially accurate and compliant with the CIPFA Code of practice.



Audit issues and approach: Other financial statement risks

Pension valuations and disclosures



Other Risk

What are our conclusions?

Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed in Note 36 to the financial statements.

Under an Agreed Upon Procedures basis we requested information from the auditors of the East Sussex Pension Fund so that we can place reliance on the pension fund values. We have made an additional information request of the Auditor and are currently awaiting a response.

What is the risk?

The Authority is an admitted body to the East Sussex Pension Fund. Hymans Robertson are appointed as actuaries for this fund and provide the Authority with the figures for the disclosures in the financial statements, based on payroll and pension data provided to them by the Authority.

The valuation of pension liabilities represents a significant balance in the financial statements and is an area which involves technical accounting transactions and estimates.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewing the competence and capability of the actuary and assessing their work, including reviewing the assumptions used as the basis for producing for pensions figures;
- Agreeing the figures produced by the actuary in their actuarial valuation to the disclosures in the financial statements; and
- Testing the accounting transactions and journals to ensure the financial statements are materially accurate and compliant with the CIPFA Code of Practice.



03

Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUSSEX FIRE AUTHORITY

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of East Sussex Fire Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 38 and the Expenditure and Funding Analysis (on page 14);
- Firefighters' pension fund financial statements comprising the;
 - Fund Account, and
 - Net Assets Statement and the related notes 1 to 4.

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 2016/17.

This report is made solely to the members of East Sussex Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director Resources / Treasurer and auditor



Draft audit report (continued)

Our opinion on the financial statements

As explained more fully in the Statement of the Assistant Director Resources / Treasurer Responsibilities set out on page 9, the Assistant Director Resources / Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director Resources / Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Sussex Fire Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



Draft audit report (continued)

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on East Sussex Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Draft audit report (continued)

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the East Sussex Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Sussex Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, East Sussex Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, East Sussex Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of East Sussex Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Paul King (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
14 September 2017

The following foot note should be added to the audit report when it is published or distributed electronically:

The maintenance and integrity of the East Sussex Fire Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and,



Draft audit report (continued)

Our opinion on the financial statements

The following foot note should be added to the audit report when it is published or distributed electronically:

The maintenance and integrity of the East Sussex Fire Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

Audit Differences



Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £780,000 relating to East Sussex Fire Authority in our summary of misstatements table below.

Financial Statements Adjustment

There were no material misstatements identified during the audit.

Disclosure Adjustments

We highlight the following misstatements in the disclosure notes identified during the audit. These have been corrected by management:

- Increase of £450 to a senior officer remuneration
- Inclusion of values for East Sussex County Council and Brighton & Hove City Council within note 32 related party transactions
- Increase of £139,000 to the estimated annual depreciation charge for every one year reduction in useful lives within note 4
- Decrease of £106,000-£176,000 to the estimated increase in pension liability for changes to life expectancy within note 4
- Two reallocations of amounts within the firefighters pension fund statement

We have also identified a number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

There were no uncorrected misstatements.

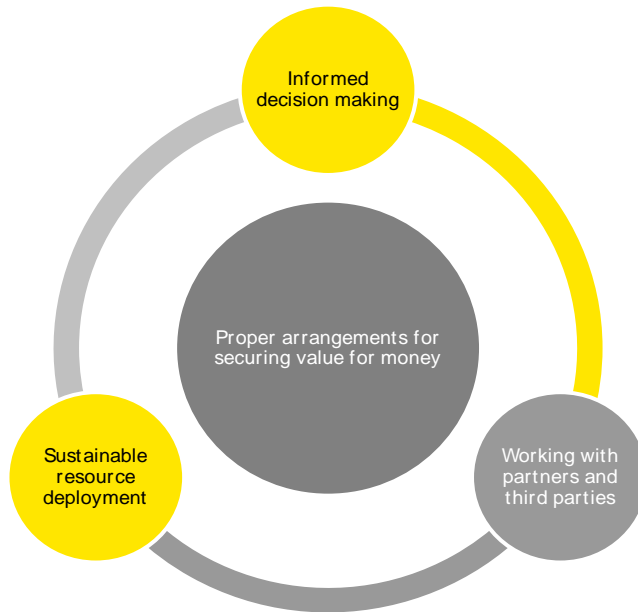


05

Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06

Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.



Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have requested a management representation letter to gain management’s confirmation in relation to a number of matters. We have only requested standard representations. Appendix D sets out our request for these representations.

We identified some undisclosed related parties however there were no transactions with those parties during the financial year.

We have no other exceptions to report.



07

Assessment of Control Environment



Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

Appendices



Appendix A





Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Scrutiny & Audit Panel of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit) 	September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about East Sussex Fire Authority's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	September 2017 Audit Results Report



Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Scrutiny & Audit Panel whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Scrutiny & Audit Panel responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit]
Related parties	<p>Significant matters arising during the audit in connection with the Authority’s related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	September 2017 Audit Results Report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Scrutiny & Audit Panel whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the Scrutiny & Audit Panel about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Scrutiny & Audit Panel. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	September 2017 Audit Results Report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence. Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	<p>February 2017 - Audit Plan September 2017 - Audit Results Report</p>
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work</p>	<p>February 2017 - Audit Plan September 2017 - Audit Results Report September/October 2017 - Annual Audit Letter if considered necessary</p>



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated February 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you Scrutiny & Audit Panel consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Scrutiny & Audit Panel on 14 September 2017

[We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on..... We have adopted the necessary safeguards in our completion of this work].

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.



Description	Final fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee – Code work	30,766	30,766	30,766	30,766



Accounting and regulatory update

Accounting update

Since the date of our last report to the Scrutiny & Audit Panel, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on East Sussex Fire Authority 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Authority will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements



Appendix C

IFRS 16 Leases

IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.

Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.

There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.

Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.


However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.



Accounting and regulatory update (continued)

Regulatory update

Since the date of our last report to the Scrutiny & Audit Panel, there have been regulatory developments. The following table provides a high level summary of those that can have the most significant impact on you:

Name	Summary of key measures 	Impact on East Sussex Fire Authority
<i>Policing and Crime Act 2017</i>	<p>The key measures summarised here are those that are likely to have implications for the audit of the financial statements and the VFM conclusion:</p> <ul style="list-style-type: none"> • Increase in emergency services collaboration between police bodies, ambulance and fire and rescue services • Provision for Police and Crime Commissioner (PCC) to act as the Fire and Rescue Authority <p><i>Abolition of The London Fire and Emergency Planning Authority and the transfer of functions, property, rights and liabilities to London Fire Commissioner</i></p>	<ul style="list-style-type: none"> • Powers introduced to allow increased collaboration between emergency services • Powers that allow the PCC to act as Fire and Rescue Authority with a variety of governance and accounting structures resulting. • <i>London Fire Commissioner takes on functions, property, rights and liabilities of abolished London Fire and Rescue Authority</i>

Progress report on implementation of new standards and regulations

In previous reports to the Scrutiny & Audit Panel, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on East Sussex Fire Authority 
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Appendix D

Earlier deadline for production and audit of the financial statements from 2017/18

- The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.

These changes provide challenges for both the preparers and the auditors of the financial statements.

To prepare for this change the Authority has taken a number of steps as outlined below:

- Critically reviewed and amended the closedown process to achieve draft accounts production by 5 June 2017 for 2016/17

As auditors, nationally we have:

- Issued a thought piece on early closedown
- As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales
- Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017

Locally we have had regular discussions through the year on the Authority's proposals to bring forward the closedown timetable.

Together with the Authority agreed areas for early work which have included testing of major income and expenditure streams at month nine we were able to substantially complete our audit by 11 August 2017.



Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

14 September 2017

Ernst & Young
Wessex House
19 Threefield Lane
Southampton SO14 3QB
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of East Sussex Fire Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of East Sussex Fire Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because TBC.



Management representation letter (continued)

Management Rep Letter

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and committees held during 2016/17 through to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in to the financial statements all guarantees that we have given to third parties.



Management representation letter (continued)

Management Rep Letter

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Representations required in specific circumstances

1. Comparative information

The Authority has introduced a change in accounting policy in respect of the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement as a result of CIPFA's "Telling the Story" review of improvements to the presentation of local authority financial statements.

These changes in accounting policy required full retrospective restatement in accordance with the requirements of the Code and IAS 1 and therefore the Authority has restated the preceding year information (ie for the 2015/16 financial year). There is no impact on the Authority's Balance Sheet.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

2. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

3. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

4. Use of the Work of a Specialist

1. We agree with the findings of the specialist that we engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We agree with the findings of the specialist that we engaged to evaluate the valuation of Defined Benefit Pension Schemes and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

5. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Management representation letter (continued)

Management Rep Letter

2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out our duties on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

6. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Assistant Director Resources / Treasurer

Chairman of the Scrutiny & Audit Panel

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ED None

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East Sussex Fire Authority

Statement of Accounts

2016/17

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In addition to the Statement of Accounts, financial information can be obtained from reports made to the Fire Authority and its Panels. Information on the Fire Authority's budget and finances can also be found on the website www.esfrs.org.

Further information on particular aspects of the East Sussex Fire Authority's finances may be obtained from:

East Sussex Fire and Rescue Service Headquarters
Church Lane
Lewes
East Sussex
BN7 2DZ
Or by email to finance@eastsussex.gov.uk or enquiries@esfrs.org.

Narrative Report by the Treasurer

Introduction

The purpose of the Statement of Accounts is to give the reader clear information about the Fire Authority's finances for the year ended 31 March 2017. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is published by the Chartered Institute for Public Finance and Accountancy (CIPFA) and is based upon International Financial Reporting Standards (IFRS).

East Sussex Fire Authority was created on 1 April 1997 as a result of local government reorganisation. It has a statutory duty to provide a Fire and Rescue Service for the whole of East Sussex and the City of Brighton and Hove, covering an area of 179,000 hectares and with a population of approximately 820,800.

The Authority is made up of 18 councillors, 12 of whom are nominated by East Sussex County Council and 6 of whom are nominated by Brighton & Hove City Council. Following the elections in May 2015 the membership of the Authority during the 2016/17 financial year was as follows:

	Brighton & Hove City Council	East Sussex County Council	Total
Conservative	2	5	7
Green	1	-	1
Labour	3	2	5
Liberal Democrat	-	2	2
UKIP	-	2	2
Independent	-	1	1
Total	6	12	18

The purpose and commitment of the Authority are set out below and are what is planned to be delivered through our agreed budget and Medium Term Financial Plan:

Our purpose:

We make our communities safer

Our Commitments, we will do this by:

Delivering high performing services
Educating our communities
Developing a multi-skilled, safe and valued workforce
Making effective use of our resources

You can find out more about the Fire Authority and the services it provides at www.esfrs.org

Statement of Accounts

The main statements in these accounts comprise:

- The Expenditure and Funding Analysis – this analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by local authorities in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- The Movement in Reserves Statement (MiRS) – this statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement (CIES) – this is fundamental to the understanding of the Authority's activities. It brings together all of the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.
- The Balance Sheet – this shows *the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.*
- The Cash Flow Statement – this summarises the *changes in cash and cash equivalents of the Authority during the reporting period.*
- The East Sussex Firefighters' Pension Fund Accounts – this summarises the transactions relating to the Firefighters' Pension Fund Account for 2016/17. This is an unfunded scheme (i.e. it is not backed by investments) into which employee and employer contributions are paid and from which pension payments are made. The account is topped up by a grant from Government if the contributions are insufficient to meet the cost of pension payments in any one year.

Narrative Report by the Treasurer

Changes to accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2016, and applies for accounting periods commencing on or after 1 April 2016.

The Code of Practice on Local Authority Accounting 2016/17 (the Code) highlights the following key updates/changes in accounting practice:

- Presentation of Financial Statements – reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of the new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements.
- Accounting and Reporting by Pension Funds – updates to the format of the Fund Account and the Net Asset Statement to be consistent with the new Financial Reports of Pension Schemes.
- Narrative Reporting – reflects the requirements of the Accounts and Audit Regulations 2015 for English authorities in respect of the narrative statement.
- Statements Reporting Reviews of Internal Controls – reflects the changes to the Delivering Good Governance in Local Government: Framework (2016) published by CIPFA/Solace.
- Related Party Disclosures – includes an addition to the definition of a related party in relation to key management personnel.
- Other Accounting Themes –
 - guidance on the order of events for approval and publication of the statement of accounts for local authorities in England;
 - Non Current Assets – is updated to provide further clarification on the recognition requirements for property, plant and equipment;
 - Employee Benefits – is updated to reflect the impact of the Telling the Story changes to the Code which no longer requires local authorities to follow the reporting requirements of the Service Reporting Code of Practice (SeRCOP) when charging individual components of the pension asset/ liability to service segments.
 - LAAP Bulletin 105 Closure of the 2016/17 Accounts and Related Matters

Financial Report

This section of the Statement of Accounts for 2016/17 sets out:

- The construction of the original budget for 2016/17.
- The final outturn for 2016/17.

Setting the Revenue Budget for 2016/17

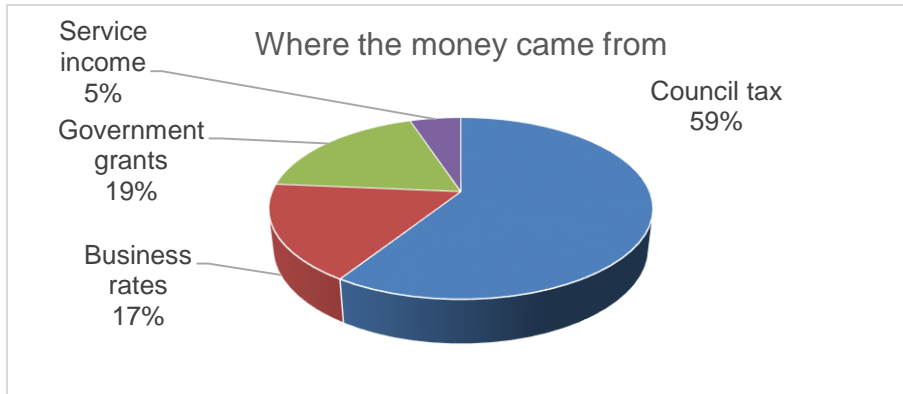
The Authority has developed its service planning processes so that they provide a sound basis both for setting its strategic objectives, plans and policies and for its medium term financial planning and budget setting. The Authority's Medium Term Financial Plan (MTFP) was based on the assumption that there would continue to be reductions in funding as a result of the Government's deficit reduction strategy. Through its "Changing the Service, Shaping Our Future" programme the Authority continued to seek to ensure that it can continue to deliver its vision, aims and service standards with the reduced level of resources it expects to have in the future. The budget has been developed to facilitate the delivery of the Authority's purpose and commitments and the priorities set out in the Integrated Risk Management Plan (IRMP) 2017-20, which was consulted upon during 2016. You can find out more about the programme at <http://www.esfrs.org/about-us/community-risk-management/integrated-risk-management-planning/>. In February 2016 the Authority set its revenue budget for 2016/17 at £38.335m a 0.76% reduction on the previous year. Savings totalling £1.862m which were expected to grow to £3.324m by 2018/19 were included. Following consultations with representative bodies the Fire Authority approved alternative proposals to the main Phase 2 savings with reductions in crewing levels across the service being agreed to replace previously agreed proposals for the introduction of the Day Crewed Plus model at two of our fire stations. The Fire Authority also agreed to a small increase in its Council Tax of 1.94%, as it had done the previous year. Revenue Support Grant from Central Government was cut by £1.318m (17.0%) to £6.196m. The budget also took into account additional spending pressures beyond pay and price inflation and other unavoidable commitments, primarily the pressure on employers National Insurance contributions following the introduction of the flat rate state pension and allowed the Authority to support its Capital Programme from the Revenue Account by £0.495m. From 2015/16 the Authority entered into a Business Rates Pool with other local authorities in East Sussex which aimed to retain a greater proportion of growth in income from business rates locally. By entering into the Pool it was estimated that an additional £0.100m in income would be received in 2016/17 and although there was a possibility that the Pool may make a loss (for which there is no Government Safety Net) this was assessed as a low risk. At year end the actual yield was £0.145m.

In setting the 2016/17 Revenue Budget the Fire Authority had achieved a balanced position in the medium term, although this assumed that all savings targets would be achieved.

Narrative Report by the Treasurer

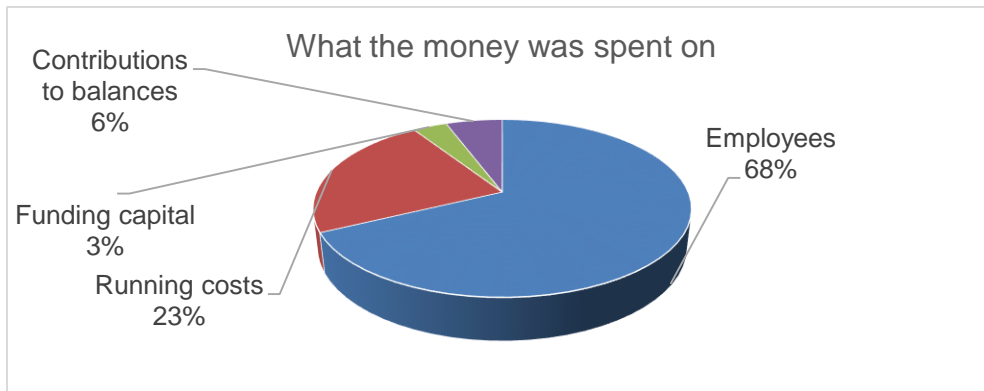
Revenue Expenditure and Income

The revenue, or day to day, spending of the Authority is shown in the table below, "Analysis of the Revenue Budget" and is summarised in the following charts. The first chart shows the source of resources supporting revenue expenditure.



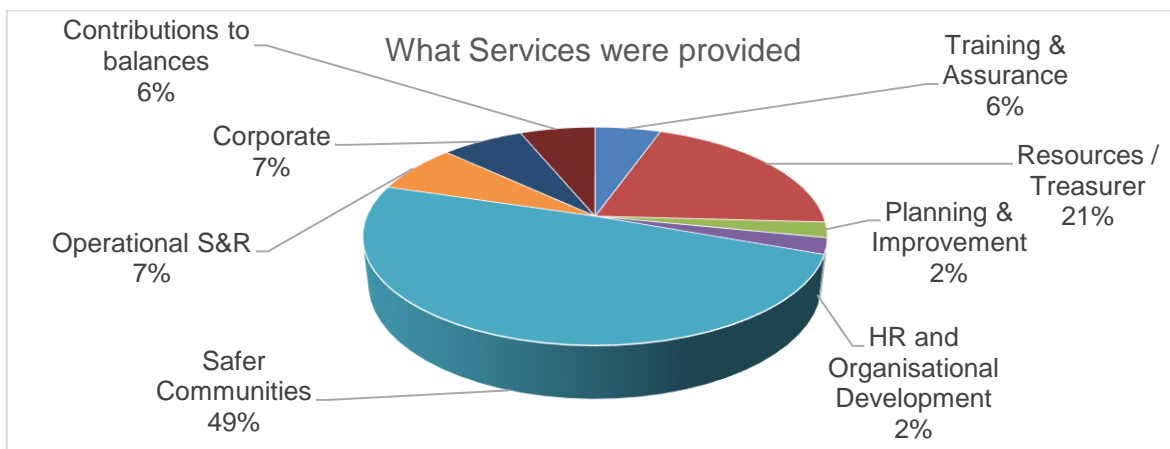
The majority 59% comes from the Council Tax payers of East Sussex and the City of Brighton & Hove. The two other main sources are Government Grants and Business Rates at 19% and 17% respectively with Service income 5% making up the remainder.

The next chart shows what this money was spent on:



Fire Authority services are heavily reliant upon staff, and employee costs including employers pension contributions accounted for 68% of expenditure. Running expenses including the cost of premises, transport and supplies and services accounted for 23% of the total, 3% is made up of the cost of funding capital expenditure including the costs associated with loans taken out to invest in the Fire Authority's services and 6% contribution to balances to fund future one-off investments.

The third and final chart shows the cost of providing the services of the Authority:



The Authority's focus is on services to local communities and this is reflected by the fact that 49% of expenditure is on Safer Communities which includes both firefighting and rescue operations and prevention work including preventing fires, reducing arson, working with partners in the local business community, and with other local authorities and stakeholders to make all our local communities safer. Resources/Treasurer (21%) supports service delivery providing ICT, Property, Procurement, Insurance

Narrative Report by the Treasurer

and Finance. Operational Support and Resilience (7%) delivers support for the fleet including the fire appliances, operational planning and policy, special project support and the Sussex Control Centre. Corporate (7%) includes Principal Officers and their direct support, treasury management various non service costs such as injury benefits as well as the corporate contingency. Training and Assurance (6%) delivers all operational training (with a few specialist exceptions) and commercial training based at Service Training Centre and a team of specialist training staff. It also includes Health and Safety advice as well as advising managers on legal compliance, policy formulation, training and safety performance monitoring activities. Planning and Improvement (2%) provides performance management, business planning, community risk management, communications as well as general business support and support for the Fire Authority and its meetings. HR and Organisational Development (2%) supports all employees throughout their employment with ESFRS in a wide range of areas as well as ensuring the organisation is compliant with current employment law. This element of the Service also provides Organisational Development and inclusion and diversity team's role is to support the broader inclusion agenda across the communities of East Sussex and the City of Brighton & Hove. Finally to support one off future investment 6% has been transferred to balances.

Analysis of the Revenue Budget

The table below sets out the main components of the Revenue Budget for 2016/17 and how these compare with the actual outturn:

Year to 31 March 2017	Original Budget	Revised Budget	Actual Outturn	Variance against revised budget
	£'000	£'000	£'000	£'000
Training & Assurance	2,049	2,126	2,105	(21)
Resources / Treasurer	7,585	7,939	7,868	(71)
Planning & Improvement	1,157	1,142	883	(259)
HR and Organisational Development	868	907	909	2
Safer Communities	19,472	19,322	18,960	(362)
Operational S&R	3,583	2,552	2,787	235
Corporate	1,503	1,243	1,293	50
Net Service Expenditure	36,217	35,231	34,805	(426)
Treasury Management	1,368	1,368	1,340	(28)
Contributions to balances	847	1,947	2,411	464
Total Net Expenditure	38,432	38,546	38,556	10
Financed by:				
Government Grant	(6,510)	(6,580)	(6,590)	(10)
Business Rates	(7,273)	(7,317)	(7,317)	-
Council Tax	(24,280)	(24,280)	(24,280)	-
Collection Fund Business Rates deficit	79	79	79	-
Collection Fund Council Tax surplus	(448)	(448)	(448)	-
	(38,432)	(38,546)	(38,556)	(10)

Throughout the year the Corporate Management Team and the Authority received regular budget monitoring reports which tracked progress in delivering agreed savings and identified in year spending pressures, enabling them to be managed within the overall revenue budget. Treasury Management is usually reported to Members as part of the corporate heading however as it is not part of the Net Cost of Service in the Accounting Statement Expenditure and Funding Analysis it is shown here separately.

The Authority's original estimate of net revenue expenditure for the year was £38.432m. The table above shows that, the Authority's actual expenditure was £38.556m. Taken together this means that the Authority underspent by £0.464m which is 1.2% of its Revised Budget and is reflected in the greater than expected contribution to reserves. The net position is the result of a combination of underspending in some areas and overspending in others.

Underspending in Planning and Improvement is the result of delays in appointing to posts in the new Programme Management Office as well as vacant posts and other smaller underspends elsewhere in the Directorate. The underspend in Safer Communities is mainly due to the reduction in employers contributions to the Firefighters' pension decreasing more quickly than anticipated following the introduction of the 2015 scheme. Overspending in Operational Support and Resilience is attributed to the Sussex Control Centre where staffing pressures have resulted in higher than expected employee related costs and salary overspends (which have been addressed in the 2017/18 revenue budget setting process).

Narrative Report by the Treasurer

Reserves and Balances

The financial statements also set out details of the Authority's reserves and balances, which are another essential tool to manage risk exposure and smooth the impact of major costs. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP Bulletin 99 - Local Authority Reserves and Balances. The level of the Fire Authority General Fund Balance (£3.142m) is in line with the Authority's Reserves and Balances Policy approved in February 2016 and maintained in February 2017 which set a minimum level of 8% of the Revenue Budget based upon an assessment of the financial risks that the Authority faces.

The Authority's revenue balances have increased by £2.411m to £15.543m at 31 March 2017 (including the 2016/17 Revenue Budget underspend of £0.465m which has been earmarked to support wholetime firefighter recruitment), of which 80% is held for specific purposes. With the addition of the Capital Reserves of £5.512m this means that total usable reserves stand at £21.055m - as shown in note 20 to the accounts.

Details of the Authority's earmarked reserves can be found within note 8 to the Core Accounting Statements. Current earmarked reserves are £12.401m, the most significant being those to provide resources which may be used for capital spending in order to reduce the need for and consequent revenue cost of borrowing and to support service improvement, particularly HQ relocation and agile working. Other earmarked reserves cover the Information Management transformation programme, replacement of Breathing Apparatus, Emergency Services Communication Project and Sprinkler Installation. Certain reserves are held to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Authority.

The Capital Programme

In 2016/17, the Authority spent £1.950m on its vehicles, buildings and other capital projects.

The Authority can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding in 2016/17 was Capital Receipts (£0.926m) and the Revenue Account (£0.512m) with the balance funded from government grants and from internal borrowing. Capital bids for new projects are made in accordance with the 5 year Capital Asset Strategy and individual schemes are subject to the Authority's project management regime to ensure effective delivery.

The Revised Capital Programme budget for the year was £2.645m. The larger schemes during the year included the HQ relocation (£0.624m), Breathing Apparatus Chambers (£0.216m) and the addition of fire appliances, ancillary vehicles, vans and cars to the fleet (£1.119m). The underspend of £0.695m compared to the revised budget was an aggregation of slippage of spend into 2017/18.

The Prudential Code allows the Authority to determine its own affordable level of borrowing. This strategy, which includes the Authorised Borrowing Limit and prudential indicators for the Authority is approved through the annual Treasury Strategy report to the Authority

During 2016/17 no loans were repaid and no new borrowing was undertaken during the year, so total borrowing remains at £10.973m.

At its meeting in February 2017 the Fire authority approved a Capital Programme for 2017/18 of £4.677m which will be financed by capital receipts of £2.907m, other earmarked reserves of £0.720m and capital grants of £0.274m with the balance being met from revenue contributions and other internal sources.

Impact of Benefit Pension Schemes

In line with the accounting standard IAS19, the Authority's net liability for future pension payments, as shown in the Balance Sheet, has increased from £343.598m at the start of the year to £394.685m at 31 March 2017. Note 36 to the accounting statements provides more detailed information. The explanation from the Actuary for this significant change is due to a reduction in real bond yields.

The resultant impact on the CIES is a charge of £0.976m for past service costs (in effect recognising "underpayment" in previous years) and an Actuarial loss on pension liabilities of £39.596m.

The liabilities assessed due over the long-term of the Firefighters' Pension Scheme do not affect the present operational service costs of the Authority, where the actual costs of providing pensions is determined by the government and legislation that sets the employer and employee pension contributions rates for the 1992, 2006 and 2015 Firefighters' Pension Schemes.

Treasury Management, Borrowing and Investment

The Authority's Treasury Management Strategy for 2016/17, agreed in February 2016 was set against a continued background of market uncertainty and a prudent approach was taken with all investments.

Narrative Report by the Treasurer

The emphasis continued to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) with some flexibilities being increased to reflect the evolution of the money markets. The Strategy and limits were consistent with the approved capital programme and revenue budget. It is impossible in practical terms to eliminate all credit risk but the Authority seeks to be as prudent as possible.

The amount of interest received on short term balances was £0.117m at an average rate of 0.52% (compared to the Bank of England base rate which remained at a historically low level of 0.50% then 0.25% from August 2016 for the remainder of the financial year). During the year, and in accordance with its Treasury Strategy, the Authority continued to invest in the highest quality rated banks and increased its use of a number of fixed term and notice accounts alongside continued use of overnight access cash money market funds.

The Authority's current strategy is to maintain external borrowing at the level of the Capital Financing Requirement (CFR). This reflects the policy of avoiding new borrowing by running down spare cash balances. Officers continue to review the need to borrow taking into consideration the potential increases in borrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

2017/18 and beyond

The Authority's budget for 2017/18 was set at £37.403m, a reduction of 2.68% over the previous year, and in light of the financial challenge facing the Authority in the future, Members agreed to raise Council Tax by 1.94% taking a Band D property to £88.40. Despite the financial challenges ahead the Authority continues to provide the communities of East Sussex and the City of Brighton & Hove with a round the clock service for £1.70 per week (for the average household). The Medium Term Finance Plan (MTFP) for the five years to 2021/22 sets out how the Authority plans to achieve financial sustainability through a balanced budget over the medium term. Both the budget and the MTFP took into account:

- The outcomes from the review of the Authority's purpose and commitments and the Integrated Risk Management Plan (IRMP) which was subject to public consultation during 2016/17 and sets the strategic direction for the future of the service
- Continued reductions in grant funding from central government as set out in the multi year funding settlement to 2019/20 (core revenue support grant will fall from £4.52m in 2017/18 to £3.157m by 2019/20)
- The delivery of the Authority's existing savings plan which has already achieved £6.708m (2010/11 to 2016/17) and will deliver a further £1.780m by the end of 2019/20. New savings built into the 2017/18 budget include our relocation to share a Headquarters with Sussex Police, the restructure of our senior management team and the final phase of the change to our standard crewing levels for appliances.
- A planning assumption that the Authority will continue make small increases in its Council Tax each year to reduce the impact reductions in central government funding

Whilst the MTFP does not identify the need for new savings in order to balance the Authority's budget we will continue to pursue opportunities to improve our efficiency and effectiveness and identify how we can continue to invest in the priorities set out in our IRMP that will make our communities safer. Collaboration with other emergency services is already a key part of our plans, for example through the Emergency Services Collaboration Project which brings together police, fire and ambulance services across Surrey and Sussex. Its current focus is developing a business case for an Integrated Transport Function which would deliver improved services and financial savings to the partners. The project has been successful in bidding for £5.96m in grant funding from central government. We will also be continuing to explore opportunities to work more closely with other public sector bodies to provide support services, where this can offer opportunities for improving resilience, enabling service transformation and reducing costs. During the last year we have outsourced the delivery of our IT services and we are working with our provider to transform the way IT supports our business – we will be reviewing our investment priorities across our infrastructure (IT, property and fleet) over the next 12 months.

We do however continue to face significant uncertainty for the future which could affect our plans and this includes:

- Government plans to allow local government to retain 100% of business rates income by 2020, particularly a lack of clarity about whether fire services will remain within the business rates retention regime or be funded by a separate grant
- The associated review of the current needs based funding formula which could change how funding is allocated across local government
- The impact of the national election in June 2017 and the potential for a further public spending review
- Central government's developing Fire Reform Agenda
- The impact of the Policing and Crime Act and the potential for changes in local governance arrangements for the Fire Authority.

The Authority will need to continue to review its strategic and financial plans as we become clearer on the implications of these developments, to ensure that it can continue to match available resources to its priorities and achieve financial sustainability over the medium term.

The Fire Authority's Stewardship, Responsibilities and Financial Management Policies

The Authority deals with considerable sums of public money. The Authority's Financial Regulations provide the framework within which financial control is operated. To conduct its business efficiently, the Authority needs to ensure that it has sound financial management and procedures in place to which they are strictly adhered. Strict compliance with these policies ensures that the Authority's policy objectives are pursued in a prudent and efficient way. These Financial Regulations provide clarity about the accountabilities of individuals: Members; the Chief Fire Officer; the Monitoring Officer; the Treasurer; and other senior officers.

Narrative Report by the Treasurer

These Financial Regulations link with other internal regulatory documents forming part of the Authority's Constitution, including Standing Orders, the Scheme of Delegation, Codes of Conduct and other corporate strategies. This Statement of Accounts is part of that stewardship process, part of the process for being publicly accountable for public money.

The Annual Governance Statement which is included in this Statement of Accounts covers more than just financial matters and is set out in full on pages 12 to 13.

Our financial framework relies upon the quality of the financial systems of the Fire Authority. There is a commitment continually to improve these systems and to ensure that budget management and other financial processes are efficient and effective and support and enable the Authority's wider transformation programme.

The Audit Opinion

As can be seen from the Audit Opinion and Certificate on pages 10 to 11 the Auditor is satisfied with these accounts.

Duncan Savage

Assistant Director Resources / Treasurer

5 June 2017

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Fire 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 Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Treasurer has also:

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

Treasurer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the East Sussex Fire Authority as at 31 March 2017 and its income and expenditure for the year ended. These financial statements replace the unaudited financial statements authorised for issue on the 5 June 2017.

Duncan Savage

Assistant Director Resources / Treasurer
14 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUSSEX FIRE AUTHORITY

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of East Sussex Fire Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 38 and the Expenditure and Funding Analysis (on page 14);
- Firefighters' pension fund financial statements comprising the:
 - Fund Account, and
 - Net Assets Statement and the related notes 1 to 4.

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 2016/17.

This report is made solely to the members of East Sussex Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director Resources / Treasurer and auditor

As explained more fully in the Statement of the Assistant Director Resources / Treasurer Responsibilities set out on page 9, the Assistant Director Resources / Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director Resources / Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Sussex Fire Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

Independent Auditor's Report to East Sussex Fire Authority

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on East Sussex Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the East Sussex Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the East Sussex Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, East Sussex Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of East Sussex Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Paul King (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
14 September 2017

Annual Governance Statement for the year ended 31 March 2017

1. Scope of responsibility

East Sussex Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. To this end the Authority has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code is on our website at

<http://www.esfrs.org/about-us/east-sussex-fire-authority/members-handbook-strategies/> or can be obtained from fireauthorityclerk@esfrs.org. This statement explains how the Authority has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The governance framework

The key elements that comprise the Authority's governance arrangements are set out in the local code of corporate governance and they include:

- an annual integrated risk management plan (IRMP) that sets out our vision for the community and the outcomes we intend to achieve;
- an established service planning process, including the development of the medium term finance plan;
- a business planning and performance management framework which includes setting clear objectives and targets;
- regular reporting of performance against the Authority's key performance indicators to officers and Members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- clear arrangements for the discharge of the statutory functions of the Head of Paid Service, Monitoring Officer and Treasurer;
- compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer;
- clear arrangements for decision making, scrutiny and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Contract Standing Orders and Financial Regulations;
- a risk management strategy and risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member Panels with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- a strategy for communicating and consulting with the people of East Sussex and the City of Brighton & Hove and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

4. Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of Members through the Fire Authority and its Panels, including Policy & Resources and Scrutiny & Audit;
- the work of senior officers and managers within East Sussex Fire & Rescue Service, who have primary responsibility for the development and maintenance of the internal control environment;

- the work of the Monitoring Officer and the Treasurer;
- the risk management arrangements, including the maintenance and regular review of corporate risks by the Corporate Management Team and Scrutiny & Audit Panel;
- the work of the internal audit service including their individual reports, and overall annual report and opinion;
- the external auditors in their annual audit letter and annual governance report;
- the judgements of external inspection and statutory bodies and the Operational Assurance Peer Review.

5. Assurance and significant governance issues

No assurance can ever be absolute; however, this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Authority's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the Authority has in place governance arrangements and a satisfactory system of internal control, both of which are fit for purpose and operating effectively.

As part of our review we have not identified any gaps in assurance over key risks or significant governance issues. The Authority has, however, identified a range of improvements to its corporate governance arrangements. Action Plans are in place to address the necessary improvements and these will be monitored during the year.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs, and reflect best practice and our vision of achieving safer and more sustainable communities.

We propose over the coming year to take steps to further enhance our governance arrangements and these are summarised below. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

- *Complete the development of our new Corporate Strategy to include priority outcomes and key performance indicators and develop the Integrated Risk Management Plan workstreams (ACFO) (continuing action from 2015/16 AGS action plan)*
- *Rationalise and align our suite of corporate strategies in line with the new Corporate Strategy and IRMP (ACFO) (continuing action from 2015/16 AGS action plan)*
- *Improve our performance monitoring against our Corporate Strategy / IRMP and revise our approach to monitoring key performance indicators (AD – P&I) (continuing action from 2015/16 AGS action plan)*
- *Ensure that the Authority responds effectively to the Fire Reform Agenda (CFO)*
- *Put in place arrangements to deliver our statutory duty to collaborate including responding to proposals for changes of governance under the Policing and Crime Act (CFO)*
- *Complete the implementation of the Accident Investigation Action Plan for Service Training Centre (AD – T&A) (continuing action from 2015/16 AGS action plan)*
- *Publish the new Inclusion and Diversity Strategy (AD – HR) (continuing action from 2015/16 AGS action plan – planned for June 2017 CFA)*
- *Make improvements in the process for reporting compliments, complaints and enquiries to CMT and the Fire Authority to ensure transparency (AD – P&I)*
- *Review the arrangements for enforcement of Petroleum Certification to ensure that they remain fit for purpose (DCFO)*
- *Make improvements to Information Security arrangements, following changes in IT provision including increased use of mobile devices, with a focus on employee awareness.(AD R/T)*
- *Review the Management of Road Risk Policy and the effectiveness of arrangements for ensuring compliance in response the review by internal audit (AD – OSR)*
- *Improve the management and delivery of projects by establishing a Programme Management Office (AD – P&I)*
- *Review the Local Code of Corporate Governance against the most recent best practice guidance issued by CIPFA / SOLACE (AD – P&I / AD R/T)*

Councillor Roy Galley, Chairman, Scrutiny & Audit Panel

Dawn Whittaker, Interim Chief Fire Officer
24 July 2017

Annual Governance Statement for the year ended 31 March 2017

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's service directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA is a note to the financial statements, however, it is positioned here as it provides an analysis of the deficit on the provision of services shown in the CIES between that net expenditure chargeable to the General Fund Balance as shown in the Movement in Reserves Statement (MiRS) and the adjustments made to the General Fund Balance in accordance with generally accepted accounting practices also shown in the MiRS.

2015/16			2016/17		
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
2,476	2	2,478	2,105	(11)	2,094
6,565	1,397	7,962	7,869	851	8,720
975	48	1,023	883	42	925
810	31	841	909	37	946
20,506	(622)	19,884	18,959	(828)	18,131
3,604	1,319	4,923	2,787	1,354	4,141
1,152	17	1,169	1,293	16	1,309
36,088	2,192	38,280	34,805	1,461	36,266
(36,658)	10,235	(26,423)	(37,216)	11,096	(26,120)
(570)	12,427	11,857	(2,411)	12,557	10,146
		12,562			13,132
		570			2,411
		13,132			15,543

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Fire Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

2015/16	General Fund Balance	Capital Receipts Reserve	Earmarked reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward	3,753	4,361	8,809	123	17,046	(361,876)	(344,830)
Movement in Reserves during 2015/16							
Total Comprehensive Income and Expenditure	(11,857)	-	-		(11,857)	71,336	59,479
Adjustments between accounting basis & funding basis under regulations (Note 7)	12,427	2,077	-	(123)	14,381	(14,381)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	570	2,077	-	(123)	2,524	56,955	59,479
Transfers to/(from) Earmarked Reserves (Note 8)	(1,181)	-	1,181	-	-	-	-
Increase/(Decrease) in Year	(611)	2,077	1,181	(123)	2,524	56,955	59,479
Balance at 31 March 2016	3,142	6,438	9,990	-	19,570	(304,921)	(285,351)

Movement in Reserves Statement

2016/17	General Fund Balance	Capital Receipts Reserve	Earmarked reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 carried forward	3,142	6,438	9,990	-	19,570	(304,921)	(285,351)
Movement in Reserves during 2016/17							
Total Comprehensive Income and Expenditure	(10,146)	-	-	-	(10,146)	(38,392)	(48,538)
Adjustments between accounting basis & funding basis under regulations (Note 7)	12,557	(926)	-	-	11,631	(11,631)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,411	(926)	-	-	1,485	(50,023)	(48,538)
Transfers to/(from) Earmarked Reserves (Note 8)	(2,411)	-	2,411	-	-	-	-
Increase/(Decrease) in Year	-	(926)	2,411	-	1,485	(50,023)	(48,538)
Balance at 31 March 2017	3,142	5,512	12,401	-	21,055	(354,944)	(333,889)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the Fire Authority's actual financial performance for the year in accordance with proper accounting practices. It summarises the resources that have been generated and consumed in providing the functions for which the Authority is responsible, and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

2015/16 Restated				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,612	(134)	2,478	Training & Assurance	2,230	(136)	2,094
8,299	(337)	7,962	Resources/Treasurer	9,104	(384)	8,720
1,023	-	1,023	Planning & Improvement	925	-	925
849	(8)	841	Human Resources & Organisational Development	950	(4)	946
20,090	(206)	19,884	Safer Communities	18,366	(235)	18,131
6,121	(1,198)	4,923	Operational Support & Resilience	6,533	(2,392)	4,141
1,258	(89)	1,169	Corporate	1,344	(35)	1,309
40,252	(1,972)	38,280	Cost of Services	39,452	(3,186)	36,266
		(375)	Other operating expenditure (Note 9)			8
		13,021	Financing and investment income and expenditure (Note 10)			12,433
		(39,069)	Taxation and non-specific grant income (Note 11)			(38,561)
		11,857	Deficit on Provision of Services			10,146
		(4,793)	Surplus on revaluation of Property, Plant and Equipment assets (Note 21)			(1,204)
		(66,543)	Actuarial (gains) / losses on pension liabilities (Note 36)			39,596
		(71,336)	Other Comprehensive Income and Expenditure			38,392
		(59,479)	Total Comprehensive Income and Expenditure			48,538

Balance Sheet

The Fire Authority Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31 March 2016 £000		Notes	31 March 2017 £000
49,286	Property, Plant & Equipment	12	47,425
49,286	Long Term Assets		47,425
17,011	Short Term Investments	13	20,008
-	Assets Held for Sale	17	3,033
1,372	Payments in Advance	15	782
45	Inventories	14	33
2,813	Short Term Debtors	15	2,992
3,371	Cash and Cash Equivalents	16	3,937
24,612	Current Assets		30,785
(4,048)	Short Term Creditors	18	(5,959)
-	Short Term Borrowing	13	(200)
(138)	Provisions	19	(142)
(4,186)	Current Liabilities		(6,301)
(343,598)	Liabilities related to defined benefit pension schemes	36	(394,685)
(10,973)	Long Term Borrowing	13	(10,773)
(492)	Provisions	19	(319)
-	Capital Grants Receipts in Advance	31	(21)
(355,063)	Long Term Liabilities		(405,798)
(285,351)	Net Assets		(333,889)
19,570	Usable Reserves	20	21,055
(304,921)	Unusable Reserves	21	(354,944)
(285,351)	Total Reserves		(333,889)

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Fire Authority as at 31 March 2017 and its Comprehensive Income and Expenditure Statement for the year then ended. These financial statements replace the unaudited financial statements authorised for issue on the 5 June 2017.

Duncan Savage

Assistant Director Resources/Treasurer

The statement was approved by the Scrutiny and Audit Panel on 14 September 2017.

Cash Flow Statement

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

2015/16		2016/17
£000		£000
11,857	Net Deficit on the provision of services	10,146
(17,185)	Adjustments to net deficit on the provision of services for non-cash movements (Note 22)	(15,559)
3,729	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	73
<u>(1,599)</u>	Net cash flows from Operating Activities	<u>(5,340)</u>
1,414	Investing Activities (Note 23)	4,853
68	Financing Activities (Note 24)	(79)
(117)	Net increase in cash and cash equivalents	(566)
3,254	Cash and cash equivalents at the beginning of the reporting period	3,371
<u>3,371</u>	Cash and cash equivalents at the end of the reporting period (Note 16)	<u>3,937</u>

Notes to the Accounting Statements

Authorisation of Statement of Accounts & Prior Period Adjustments

Authorisation of Statement of Accounts – These accounts were authorised for issue by Duncan Savage, Assistant Director Resources/Treasurer, and the Statement of Accounts (approved on 14 September 2017) is published with an audit opinion.

1. Accounting Policies

i. General

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide legally binding guidance on local authority accounting. The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS), statutory guidance issued under section 12 of the 2003 Act, and Accounts and Audit (England) Regulations 2015. The accounting convention adopted for the Authority's Accounting Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Authority regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the Code, the Authority has disclosed the expected impact of new accounting standards that have been issued but not yet adopted.

ii. Accruals of Income and Expenditure

The accounts of the Authority are prepared on an accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

iii. Debtors and Creditors

We record all material transactions on the basis of income and expenditure. In order to achieve this we account for actual or estimated debtors and creditors at the end of the year, except in two cases:

- Charges for utilities (gas, electricity and telephones) are not accrued, so long as the Authority has paid for a full twelve months during each financial year;
- Accruals are generally not raised where amounts are immaterial, although managers' discretion may be used. This exception has no material effect on the financial statements.

Lump sum payments relating to redundancy cases are accounted for in the period when the related decision was taken.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held by the Authority as part of its normal cash management including all deposit accounts with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are generally defined as short-term, highly liquid investments that are readily convertible to cash. They are held for short term cash flow requirements rather than for investment gain and have an insignificant risk of a change in their value.

The Authority defines cash equivalents as any investment that could be recalled the same day without penalty and include call accounts, money market funds and instant deposits. However the Authority uses these products for both short term cash flow requirements and investment gain purposes. For short term cash flow requirements only, the Authority will determine an

Notes to the Accounting Statements

appropriate account as its cash equivalent. 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.

Short Term Investments - Short Term Investments are those investments that are not classified as a cash equivalent as they are held for investment gain purposes. The Authority's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

v. Exceptional Items

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

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vii. Charges to Revenue and 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 is provided for on all assets used by the relevant service with a determinable finite life (except for investment properties, assets under construction and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
- Revaluation and impairment losses on tangible Property, Plant and Equipment assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Employee benefits are accounted for in accordance with the Code's interpretation of IAS 19 – Employee Benefits. This standard covers both benefits payable during and after employment.

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 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 holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service 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.

Notes to the Accounting Statements

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.

Post Employment Benefits

The Authority contributes to two different pension schemes that meet the needs of different groups of employees. The schemes are:

- The Firefighters Pension Scheme
- The Local Government Pension Scheme.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

Firefighters' Pensions Scheme

Details of the Firefighters' Pension Scheme can be found on page 67.

Local Government Pensions Scheme

Most other employees can join the Local Government Pension Scheme. East Sussex County Council administers the pension fund for all local authorities and other admitted bodies within the geographical area of East Sussex.

The Local Government Scheme is accounted for as a defined benefits scheme:

As per IAS 19/IAS 26, the liabilities of the pension scheme attributable to the Fire 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 earnings for current employees.

In assessing liabilities for retirement benefits at 31 March 2016, the actuary assumed a discount rate of 3.5% nominal which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2017, the actuary has advised that a rate of 2.6% nominal is appropriate.

The assets of the 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 of fair value;
- unitised securities – current bid price;
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Notes to the Accounting Statements

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.

Discretionary Benefits – 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.

ix. Events After the Balance Sheet Date

The accounts have taken into consideration any material event after the Balance Sheet date, which 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 for which the Authority shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- Those that are indicative of conditions that arose after the at the end of 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.

x. Financial Instruments

Financial Liabilities

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

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

Where loans are replaced through restructuring, there are distinct accounting treatments, as follow:

- *Modification* – Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- *Substantially Different* – Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
- *Early repayment of loans* – The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are effected in the Movement in Reserves Statement on the General Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

Financial Assets

Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Notes to the Accounting Statements

Where soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest will be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Where, the Authority entered into financial guarantees that are not required to be accounted for as financial instruments. These guarantees will be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

xi. Government Grant 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.

Government grants and third party contributions and donations to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied or there is reasonable assurance that they will be met. 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.

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the latest invoice price.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii. 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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases – Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the

Notes to the Accounting Statements

Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

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

The Authority as Lessor

Finance Leases – Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases – Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiv. Overheads and Support Services

The costs of overheads and support services are charged in accordance with the Authority's arrangements for accountability and financial performance.

Notes to the Accounting Statements

xv. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

We record as capital expenditure all transactions that involve the purchase of new Property, Plant and Equipment or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise individual items of vehicles and equipment are treated as capital if the value is over £20,000. If the value is less than this sum we charge it to revenue.

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, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

- operational land, buildings and plant - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate
- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value (EUV)
- surplus assets – at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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.

Impairment

Notes to the Accounting Statements

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 by:

- 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.

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.

Componentisation

Componentisation applies to Plant and Equipment assets from 1st April 2010 in relation to enhancement expenditure, acquisition expenditure and revaluations carried out as per the three year rolling programme. 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets and calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets, with the exception of land, community land assets, investment land, land awaiting disposal and assets under construction.

The Authority does not have a Housing Revenue Account (HRA) which accounts for the provision for housing accommodation, so all net assets employed by the Authority relate to the General Fund.

The life expectancies of the assets and the depreciation are calculated on the following bases:

Operational land	Not depreciated as an infinite life expectancy
Operational buildings	Individually assessed by valuers
Vehicles	Individually assessed on acquisition (usually up to 15 years)
IT equipment	Individually assessed on acquisition (usually up to 5 years)
Other plant, furniture and equipment	Individually assessed on acquisition (usually up to 20 years)
Assets under construction	Not depreciated
Buildings awaiting disposal	Individually assessed by valuers
Land awaiting disposal	Not depreciated as an infinite life expectancy

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.

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Notes to the Accounting Statements

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xvii. 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 policies.

xviii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, the cost of revenue expenditure funded from capital under statute is immediately charged to the revenue account for the appropriate service, and a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. In some cases, this is because we capitalise expenditure on schemes such as increasing access for the disabled: such expenditure is initially added to the asset value and then revalued to negate its effect. There are other circumstances where we account for capital expenditure as revenue expenditure funded from capital under statute rather than assets. This includes expenditure on assets not owned by the Authority, capital grants and on feasibility studies for schemes that may or may not take place.

In addition, the Government may direct the Authority to treat as capital expenditure items which would normally count as revenue. These would not result in an asset or an increase to the value of existing assets and are therefore treated as revenue expenditure funded from capital under statute.

Notes to the Accounting Statements

xix. Value Added Tax (VAT)

VAT paid by the Authority is only shown in the accounts as an amount recoverable from Her Majesty's Revenue & Customs. VAT charged by the Authority to its customers is payable to Customs and Revenue, and is therefore shown only as a reduction of the net amount payable.

xx. Interest Charges

We show the accrued interest associated with a loan as part of the carrying value of the loan. Loans are included on the Balance Sheet at amortised cost based on the Effective Interest Rate (EIR) method.

Where no EIR calculation has been undertaken, the accrued interest will be charged to the Income and Expenditure Accounts and added to the value of the loan. This will increase the carrying value of the loan until such time the interest is paid.

xxi. Redemption of Debt

There is a legal requirement for the Authority to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of at least 4% of its total debt outstanding at the start of the year or an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. This is not a cost to the Comprehensive Income & Expenditure Statement but is charged to the General Fund through the Movement in Reserve Statement.

xxii. Council Tax and Business Rates

Business rates and council tax are collected on behalf of the Authority on an agency basis by the six billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council, Wealden District Council and Brighton & Hove City Council. The Authority as a precepting authority is required to show business rates and council tax income in the Comprehensive Income and Expenditure Statement on an accruals basis.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by legislation 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 Authority is also required to recognise its share of arrears, bad debt allowances, overpayments, prepayments, cash and business rates appeal provision in its Balance Sheet.

xxiii. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant, and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairments.

xxiv. Fair Value Measurement

The Authority measures some of its non-financial assets, surplus assets and assets held for sale at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Authority uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority external Valuers 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 Valuers 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 and liabilities 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 or liabilities 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 or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards that have been issued but have not yet been adopted

Notes to the Accounting Statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2017. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The following changes are not considered to have a significant impact on the Statement of Accounts -

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable going concern basis reporting requirements;
- Changes to the narrative reporting;
- Accounting Policies – Telling the Story of Local Authority Financial Statements;
- Accounting and Reporting by Pension Funds – Investment Transaction Costs;
- Faster closure of accounts timetable;
- The Cities and Local Government Devolution Act 2016 to support delivery of the government's policy to "devolve powers and budgets to boost local growth in England", in particular to devolve powers over economic development, transport and social care to large cities.

The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. 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.

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

The financial statements contains estimates and assumptions about the future or events that are otherwise uncertain, which affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. This means that the Authority is required to make estimates and assumptions. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

The items in the Fire Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
<p>Useful lives of property, plant and equipment assets</p> <p>The Authority estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use.</p> <p>However It is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.</p> <p>The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.</p>	<p>It is estimated that the annual depreciation charge would increase by £426,000 for every 1 year that useful lives had to be reduced.</p> <p>This amount is not considered to be material in relation to the recorded expenses and non current assets totals in the Statement of Accounts.</p>	<p>The estimated useful lives of property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.</p> <p>The estimation of the useful lives of property, plant, and equipment are based on external technical evaluation and experience with similar assets.</p> <p>Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards.</p>

Notes to the Accounting Statements

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
<p>Impairment/revaluation loss of property, plant and equipment assets</p> <p>The Authority has significant investments in property, plant and equipment. The Authority operates a policy of revaluing its Property, Plant, and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. Indexation may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date.</p> <p>Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, thus requiring the book value to be written down to its recoverable amount.</p> <p>Evaluating whether an asset is impaired requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future used.</p>	<p>Indexation was applied in 2016/17 as the amount calculated was materially different to the carrying value. The net revaluation gain of the assets indexed was £508,000.</p> <p>It is estimated that the revaluation losses would decrease by £7,000 for every 1% increase in the valuations carried out during 2016/17 under the three year rolling programme.</p> <p>This amount is not considered to be material in relation to the recorded expenses and non current assets totals in the Statement of Accounts.</p>	<p>Assets are assessed annually for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.</p> <p>Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards.</p> <p>Impairments are reversed if the conditions for impairment are no longer present.</p>
<p>Pension Liability</p> <p>The Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the balance sheet, and, indirectly, the period's net pension expense in the Comprehensive Income and Expenditure Statement, the actuaries make a number of critical assumptions affecting these estimates.</p> <p>Most notably, assumptions include a number of judgements and estimations in respect of the expected rate of return on assets, the real discount rate, the rate of increase in salaries, life expectancy, the annual rate of compensation increase and inflation assumptions have a direct and potentially material impact on the amounts presented.</p>	<p>It is estimated that:</p> <p>A £41,598,000 increase in the pension liability would result if the real discount rate was to be decreased by 0.5%.</p> <p>A £13,046,000-£14,077,000 increase in the pension liability would result if member life expectancy was increased by 1 year.</p> <p>A £6,367,000 increase in the pension liability would result if the salary increase rate was increased by 0.5%.</p> <p>A £34,722,000 increase in the pension liability would result if the pension increase rate was increased by 0.5%.</p>	<p>The retirement benefit obligation is assessed annually by the schemes actuary in accordance with IAS 19 'Employee Benefits' and is updated if events have not coincided with the actuarial assumptions made for the last valuation or if the assumptions have changed.</p> <p>The assumptions are set based on advice from the schemes actuaries and experience. The key assumptions used are set out in Note 36.</p> <p>The actuarial methods and advice provided on assumptions used are carried out in accordance with the Pensions Technical Actuarial Standards.</p>

Notes to the Accounting Statements

5. Material items of income and expense

The Comprehensive Income and Expenditure Statement includes a loss of £0.976m (£0.216m in 2015/16) for past service costs in relation to the Local Government and Firefighters' pension schemes.

There are no other material items of income or expense that are not already disclosed on the face of the Comprehensive Income and Expenditure Statement, which by their nature and amount of material items should be set out in a note.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Assistant Director Resources/Treasurer on 14 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Accounting Statements

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.

2016/17	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources:			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs transferred to (or from) the Pensions Reserve	11,491	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	68	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	40	-	-
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)	1,909	-	-
Total Adjustments to Revenue Resources	13,508	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(439)	-	-
Capital expenditure financed from revenue balances	(512)	-	-
Total Adjustments between Revenue and Capital Resources	(951)	-	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(926)	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	-	(926)	-
Total Adjustments	12,557	(926)	-

Notes to the Accounting Statements

2015/16	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources:			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements			
Pensions costs transferred to (or from) the Pensions Reserve	12,371	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	77	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	(26)	-	-
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)	4,712	-	-
Total Adjustments to Revenue Resources	17,134	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,164)	3,164	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(445)	-	-
Capital expenditure financed from revenue balances	(1,097)	-	-
Total Adjustments between Revenue and Capital Resources	(4,706)	3,164	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(1,087)	-
Application of capital grants to finance capital expenditure	-	-	(123)
Total Adjustments to Capital Resources	-	(1,087)	(123)
Total Adjustments	12,428	2,077	(123)

Notes to the Accounting Statements

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 and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Capital Programme	4,629	(998)	1,000	4,631	-	750	5,381
Other Earmarked	4,180	(674)	1,853	5,359	(304)	1,965	7,020
Total	8,809	(1,672)	2,853	9,990	(304)	2,715	12,401

Capital Programme To provide resources which may be used for capital spending in order to reduce the need for and consequent revenue cost of borrowing.

Other Earmarked Includes Improvement & Efficiency, IMD Transformation, Insurance Fund, Sprinklers, RPE and Communications, ESMCP ESFRS readiness, Responding to New Risks, Safer Business Training and Wholtime Firefighter Recruitment.

9. Other Operating Expenditure

	31 March 2016 £000	31 March 2017 £000
(Gains)/losses on the disposal of non-current assets	(375)	8
Total	(375)	8

10. Financing and Investment Income and Expenditure

	31 March 2016 £000	31 March 2017 £000
Interest payable and similar charges	510	506
Pensions interest cost and expected return on pensions assets	12,640	12,044
Interest receivable and similar income	(129)	(117)
Total	13,021	12,433

11. Taxation and Non Specific Grant Income

	31 March 2016 £000	31 March 2017 £000
Council tax income	23,550	24,652
Non domestic rates	7,149	7,256
Revenue support grant	7,514	6,196
Other revenue grants	291	287
Capital grants and contributions	565	73
Fire Transitional Grant	-	97
Total	39,069	38,561

Notes to the Accounting Statements

12. Property, Plant, and Equipment

Movements in 2016/17:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2016	41,396	14,370	400	417	56,583
Additions	750	1,200	-	-	1,950
Revaluation increases recognised in the Revaluation Reserve	1,220	-	119	-	1,339
Revaluation decreases recognised in the Revaluation Reserve	(663)	(6)	-	-	(669)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	304	-	-	-	304
Revaluation decreases recognised in the deficit on the Provision of Services	(505)	-	-	-	(505)
Transfers within PPE	-	417	-	(417)	-
Derecognition – disposals	-	(161)	-	-	(161)
Assets reclassified (to)/from Held for Sale	(3,033)	-	-	-	(3,033)
At 31 March 2017	39,469	15,820	519	-	55,808
Accumulated Depreciation and Impairment					
At 1 April 2016	-	(7,297)	-	-	(7,297)
Depreciation charge	(824)	(1,240)	-	-	(2,064)
Depreciation written out to the Revaluation Reserve	534	-	-	-	534
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	290	-	-	-	290
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Transfers within PPE	-	-	-	-	-
Derecognition – disposals	-	154	-	-	154
At 31 March 2017	-	(8,383)	-	-	(8,383)
Net Book Value					
At 31 March 2017	39,469	7,437	519	-	47,425
At 31 March 2016	41,396	7,073	400	417	49,286

Notes to the Accounting Statements

Comparative Movements in 2015/16:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2015	36,430	17,212	-	946	54,588
Additions	2,559	216	-	417	3,192
Revaluation increases recognised in the Revaluation Reserve	3,607	7	280	-	3,894
Revaluation decreases recognised in the Revaluation Reserve	(8)	-	(249)	-	(257)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	1,910	-	-	-	1,910
Revaluation decreases recognised in the deficit on the Provision of Services	(2,071)	-	(468)	-	(2,539)
Transfers to AHFS	109	-	837	(946)	-
Derecognition – disposals	(1,140)	(3,065)	-	-	(4,205)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
At 31 March 2016	41,396	14,370	400	417	56,583
Accumulated Depreciation and Impairment					
At 1 April 2015	(570)	(9,071)	-	-	(9,641)
Depreciation charge	(652)	(1,266)	(13)	-	(1,931)
Depreciation written out to the Revaluation Reserve	1,155	2	-	-	1,157
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	22	-	26	-	48
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Transfers to AHFS	13	-	(13)	-	-
Derecognition – disposals	32	3,038	-	-	3,070
At 31 March 2016	-	(7,297)	-	-	(7,297)
Net Book Value					
At 31 March 2016	41,396	7,073	400	417	49,286
At 31 March 2015	35,860	8,141	-	946	44,947

The Authority had no Intangible, Infrastructure, Heritage or Community Assets at 31 March 2017.

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets, with the exception of land, community land assets, investment land, land awaiting disposal and assets under construction.

Notes to the Accounting Statements

Capital Commitments

Over the five year period, 2017/18 to 2021/22, the Authority is planning gross capital expenditure of £16.738m (based on the agreed Capital Asset Strategy and subsequently agreed variations). This is planned to be funded using government grants (£0.274m), capital receipts (£7.784m), reserves (£4.270m) and planned revenue contributions (£2.925m) with the balance of £1.485m being internal borrowing.

The approved capital programme shows that in 2017/18 the Authority plans to spend £5.541m (adjusted for actual spend in 2016/17), funded by government grant (£0.382m), capital receipts (£3.633m), reserves (£0.750m), planned revenue contributions (£0.537m) and internal borrowing (£0.239m). Having adjusted for the actual outturn in 2016/17, slippage on projects and for provisions where there is no contractual commitment, the net commitment profiles for schemes in progress at 31 March 2017 are shown below:

2017/18	2018/19	2019/20	2020/21	2021/22	Total (£m)
5.541	2.595	-	-	-	8.136

The Fire Authority had no assets under construction as at 31 March 2017 (two for £0.417m at 31 March 2016).

Valuation of Property, Plant and Equipment (PPE)

The Authority operates a policy of revaluing its Property, Plant and Equipment on a rolling 3-year basis, with the aim of revaluing all of its assets within this period. Indexation may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date. The Authority also reviews the asset register each year, and, if necessary adjusts the value of assets if significant impairment has been identified.

Freehold and leasehold properties regarded by the authority as operational, together with investment assets and assets awaiting disposal, are valued on the basis of open market value for the existing use or where this cannot be assessed because there was no market value, the depreciated replacement cost. This is in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Buildings are depreciated in line with the estimated life expectancies of the assets.

Furniture, equipment, plant and machinery values were initially calculated either as an assessed proportion of the valuation of the buildings or, in the case of properties valued at open market value, as an assessed rate per square metre. Together with intangible assets, they are updated in line with capital expenditure, and depreciated in line with the estimated lives of the assets.

The following statement shows the progress of the Authority's rolling programme for the revaluation of land and buildings. The valuations are carried out by an external firm of valuers – Stiles, Harold, Williams (a member of Chartered Surveyors and Town Planners), on behalf of the Authority. The valuation dates are the gross cost as at 31 March in each year. In addition, an annual indexation will be applied to the remaining portfolio (based on those assets that were valued by the valuer in the year) if the values are deemed to be materially different to their carrying value. The indexation was applied in 2016/17.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total PPE
	£000	£000	£000	£000
Valued at historical cost	-	15,764	-	15,764
Valued at fair value at 31 March 2017	39,469	31	519	40,019
Valued at fair value at 31 March 2016	-	25	-	25
Valued at fair value at 31 March 2015	-	-	-	-
Total	39,469	15,820	519	55,808

In the light of on-going economic recession, the Authority carried out a review for impairment of all fixed assets to determine the carrying amount of the fixed asset. This is to determine if there has been any diminution in the value of assets due to the current economic climate and to ensure that the accounts do not include values that are materially different following significant changes in asset values.

Notes to the Accounting Statements

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

There was one property classed as surplus as at 31 March 2017, and also in the previous year. The fair value hierarchy of surplus assets is as follows:

Recurring fair value measurements using:	31 March 2017			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Surplus assets	-	-	519	519

Recurring fair value measurements using:	31 March 2016			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Surplus assets	-	-	400	400

The surplus assets are measured at Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to measure the fair value. The fair value has been derived on a comparable basis for income producing assets or residential properties (using rent yield or capital value per square metre) or derived through an assessment of prevailing land values for unconsented sites or a residual land appraisal. For assets offering development potential (alternative use) the valuation is based on the highest value that has a reasonable prospect of securing an appropriate planning consent. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Highest and best use is determined only from the perspective of market participants, even if the Authority intends a different use. Alternative uses of those assets are considered if there is an alternative use that would maximise their fair value. However, the Authority is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use.

Notes to the Accounting Statements

13. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Long Term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Investments				
Loans and receivables (principal amount)	-	-	17,000	20,000
Accrued interest	-	-	11	8
Loans and receivables at amortised cost	-	-	17,011	20,008
Cash and cash equivalents	-	-	3,371	3,937
Debtors				
Loans and receivables	-	-	1,278	1,331
Total debtors	-	-	1,278	1,331
Financial Liabilities				
Borrowings				
Financial liabilities (principal amount)	(10,973)	(10,773)	-	(200)
Accrued Interest	-	-	-	-
Financial liabilities at amortised cost	(10,973)	(10,773)	-	(200)
Creditors				
Financial liabilities at amortised cost	-	-	(2,527)	(3,619)
Total creditors	-	-	(2,527)	(3,619)

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Valuation Assumptions

The interest rate at which the fair values of these soft loans have been recognised is arrived at by taking the authority's prevailing cost of borrowing for a comparable loan at the date of the advance and adding an allowance for the risk that the loan might not be repaid by the employees.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Notes to the Accounting Statements

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
2016/17	£000	£000	£000
Interest expense	(506)	-	(506)
Total expense in Deficit on the Provision of Services	(506)	-	(506)
Interest income	-	117	117
Total income in Deficit on the Provision of Services	-	117	117
Net gain/(loss) for the year	(506)	117	(389)

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
2015/16	£000	£000	£000
Interest expense	(510)	-	(510)
Total expense in Deficit on the Provision of Services	(510)	-	(510)
Interest income	-	129	129
Total income in Deficit on the Provision of Services	-	129	129
Net gain/(loss) for the year	(510)	129	(381)

Fair Values of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing/premature repayment rates (choose which one is being used) from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures; For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Accounting Statements

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
PWLB Debt	(10,973)	(15,471)	(10,973)	(16,393)
Non-PWLB Debt	-	-	-	-
Total Debt	(10,973)	(15,471)	(10,973)	(16,393)
Short term borrowing	-	-	-	-
Short term creditors	(2,527)	(2,527)	(3,619)	(3,619)
Total Financial Liabilities	(13,500)	(17,998)	(14,592)	(20,012)
Financial assets				
Short term investments	17,011	17,011	20,008	20,008
Cash and cash equivalents	3,371	3,371	3,937	3,937
Short term debtors	1,278	1,278	1,331	1,331
Total Financial Assets	21,660	21,660	25,276	25,276

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of the money market loans is the same as the carrying amount as they are all short term investments with a maturity of less than a year.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

	31 March 2017			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial liabilities				
PWLB Debt	-	(16,393)	-	(16,393)
Short Term Borrowing	-	-	-	-
Current Creditors	-	(3,619)	-	(3,619)
Total	-	(20,012)	-	(20,012)
Financial assets				
Short Term Deposits	-	12,008	-	12,008
Money Market Funds	10,449	-	-	10,449
Other Cash and Cash Equivalents	-	1,488	-	1,488
Current Debtors	-	1,331	-	1,331
Total	10,449	14,827	-	25,276

Notes to the Accounting Statements

31 March 2016

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable Inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
PWLB Debt	-	(15,471)	-	(15,471)
Short Term Borrowing	-	-	-	-
Current Creditors	-	(2,527)	-	(2,527)
Total	-	(17,998)	-	(17,998)
Financial assets				
Short Term Deposits	-	11,011	-	11,011
Money Market Funds	7,720	-	-	7,720
Other Cash and Cash Equivalents	-	1,651	-	1,651
Current Debtors	-	1,278	-	1,278
Total	7,720	13,940	-	21,660

The fair values for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Liabilities

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Assets

- No early repayment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

14. Inventories

	31 March 2016 £000	31 March 2017 £000
Balance outstanding at start of year	42	45
Purchases	145	150
Recognised as an expense in the year	(142)	(162)
Balance outstanding at year-end	45	33

Stocks include diesel fuel and equipment.

Notes to the Accounting Statements

15. Current and Long Term Debtors

	31 March 2016	31 March 2017
	£000	£000
Current Debtors		
Central government bodies	236	340
Other local authorities	2,537	2,602
NHS bodies	3	-
Other entities and individuals	37	50
Total	2,813	2,992

There were no long term debtors as at 31 March 2017 or in the previous year.

Allowance for Bad Debts - Management specifically review all debts, and evaluate the adequacy of the allowance of bad debts of receivables. The Authority carries out an assessment of the recoverability of receivables and makes allowance for bad debts accordingly. However, most categories of the Authority's debtors are not subject to substantial fluctuation and past experience are used within material limits to judge the percentages of each type of debt that will not eventually be recovered.

As at 31 March 2017 the assessment of receivables did not necessitate the creation of a bad debt provision for general debtors. However the Council Tax and NNDR arrears impairment allowance was decreased by £0.021m to £1.034m (from £1.055m in 2015/16).

Payments in advance decreased by £0.590m to £0.782m in 2016/17 (from £1.372m in 2015/16) mainly due to the payment of a number of insurances in 2015/16 relating to 2016/17.

16. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2016	31 March 2017	Movement
	£000	£000	£000
Cash in hand	50	49	(1)
Bank current accounts	3,544	4,047	503
Cash overdrawn	(223)	(159)	64
Total Cash and Cash Equivalents	3,371	3,937	566

17. Assets held for Sale

	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	1,655	-
<i>Assets newly classified as held for sale:</i>		
Property, Plant and Equipment	-	3,033
Revaluations	-	-
Accumulated Depreciation	-	-
<i>Assets declassified as held of sale:</i>		
Assets sold	(1,655)	-
Balance outstanding at year end	-	3,033

18. Creditors

	31 March 2016	31 March 2017
	£000	£000
Central government bodies	652	838
Other local authorities	1,210	1,884
Public corporations and trading funds	-	-
Other entities and individuals	2,186	3,237
Total	4,048	5,959

There was an increase in Other entities and individuals of £1.051m as at 31 March 2017, primarily due to £0.440m deposit that was received in advance for the sale of the Fire Headquarters.

Notes to the Accounting Statements

19. Provisions

Provisions are amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The provision has been established for material liabilities of uncertain timing.

The Authority had a short term provision of £0.142m as at 31 March 2017 which relates to NNDR appeals (£0.138m at 31 March 2016). There was also a long term provision for £0.319m for outstanding payments as a result of the Norman v Cheshire case in relation to pensionable allowances (£0.492m as at 31 March 2016).

20. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2016	31 March 2017
	£000	£000
Usable Capital Receipts Reserve	6,438	5,512
Capital Grants & Contributions Unapplied	-	-
Earmarked Reserves	9,990	12,401
General Fund balances	3,142	3,142
Total Usable Reserves	19,570	21,055

Capital Receipts Reserve

The Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets until they are utilised to finance capital expenditure.

	2015/16	2016/17
	£000	£000
Balance at 1 April	4,361	6,438
Amounts receivable during the year	3,164	-
Amounts applied to finance new capital investment	(1,087)	(926)
Net Transfer from the Capital Receipts Reserve	2,077	(926)
Balance at 31 March	6,438	5,512

21. Unusable Reserves

	31 March 2016	31 March 2017
	£000	£000
Revaluation Reserve	13,294	14,270
Capital Adjustment Account	25,019	25,215
Collection Fund Adjustment Account	458	390
Accumulated Absences Account	(94)	(134)
Pensions Reserve	(343,598)	(394,685)
Total Unusable Reserves	(304,921)	(354,944)

Revaluation Reserve

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

- revalued 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.

Notes to the Accounting Statements

	2015/16		2016/17	
	£000	£000	£000	£000
Balance at 1 April		9,471		13,294
Upward revaluation of assets	6,960		2,177	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(257)		(669)	
Reversal of previous years revaluation losses	(1,910)		(304)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,793		1,204
Difference between fair value depreciation and historical cost depreciation	(130)		(228)	
Accumulated gains on assets sold or scrapped	(840)		-	
Amount written off to the Capital Adjustment Account		(970)		(228)
Balance at 31 March		13,294		14,270

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.

	2015/16		2016/17	
	£000	£000	£000	£000
Balance at 1 April	26,008			25,019
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(1,931)		(2,064)	
Revaluation losses on Property, Plant and Equipment	(2,491)		(214)	
Revaluation loss reversals on Property, Plant and Equipment	1,911		304	
Revenue expenditure funded from capital under statute	25		-	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,790)		(8)	
	(5,276)		(1,982)	
Adjusting amounts written out of the Revaluation Reserve	970		228	
Net written out amount of the cost of non-current assets consumed in the year	(4,306)			(1,754)
Capital financing applied in the year				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,087		926	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	565		73	
Application of grants to capital financing from the Capital Grants Unapplied Account	123		-	
Statutory provision for the financing of capital investment charged against the General Fund	445		439	
Capital expenditure charged against the General Fund	1,097		512	
	3,317			1,950
Balance at 31 March	25,019			25,215

Notes to the Accounting Statements

Pensions Reserve

The Pensions 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.

Balance at 1 April

Actuarial gains/losses on pensions assets and liabilities

Reversal of items relating to retirement benefits credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
Employer's pensions contributions and direct payments to pensioners payable in the year

Balance at 31 March

2015/16 £000	2016/17 £000
(397,770)	(343,598)
66,543	(39,596)
(22,819)	(21,701)
10,448	10,210
(343,598)	(394,685)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Council tax and business rates income is collected on behalf of the Fire Authority on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council, Wealden District Council and also Brighton & Hove City Council.

From 1 April 2009, the Fire Authority as a precepting authority is required to show Council Tax income in its Income and Expenditure Account on an accruals basis. The difference between the income included in the Income and Expenditure account and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Balance at 1 April

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements

Balance at 31 March

2015/16 £000	2016/17 £000
535	458
45	(76)
(122)	8
458	390

Notes to the Accounting Statements

Accumulated Absences Account

The Accumulated Absences 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.

	2015/16 £000	2016/17 £000
Balance at 1 April	(120)	(94)
Settlement or cancellation of accrual made at the end of the preceding year	120	94
Amounts accrued at the end of the current year	(94)	(134)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	26	(40)
Balance at 31 March	(94)	(134)

22. Cash Flow Statement - Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

	2015/16 £000	2016/17 £000
Depreciation	(1,931)	(2,064)
Impairment and downward valuations	(580)	90
Increase in creditors	(193)	(1,828)
Decrease in interest creditors	-	-
Increase / (decrease) in debtors	583	(415)
Increase in interest debtors	4	-
Increase / (decrease) in stock	3	(12)
Pension Liability	(12,371)	(11,491)
Contributions to provisions	90	169
Carrying amount of PPE sold	(2,790)	(8)
Total Adjustment	(17,185)	(15,559)

Adjustments for items included in the net deficit on the provision of services that are investing and financing activities:

	2015/16 £000	2016/17 £000
Capital Grants and Contributions credited to deficit on provision of services	565	73
Proceeds from the Sale of PPE	3,164	-
Total Adjustment	3,729	73

The cash flows for operating activities include the following items:

	2015/16 £000	2016/17 £000
Interest received	(125)	(117)
Interest paid	509	506

Notes to the Accounting Statements

23. Cash Flow Statement – Investing Activities

	2015/16	2016/17
	£000	£000
Purchase of property, plant and equipment	3,579	1,950
Purchase of short-term and long-term investments	2,000	2,997
Proceeds from the sale of property, plant and equipment	(3,164)	-
Other receipts from investing activities	(1,001)	(94)
Net cash flows from investing activities	1,414	4,853

24. Cash Flow Statement – Financing Activities

The cash flows for financing activities, excluding interest paid and received, include the following items:

	2015/16	2016/17
	£000	£000
Repayment of Short-Term and Long-Term Borrowing	150	-
Appropriation to/from Collection Fund Adjustment Account	(82)	(79)
Net cash flows from financing activities	68	(79)

25. Notes to the Expenditure and Funding Analysis

East Sussex Fire Authority departments and responsibilities –

The Fire Authority is made up of 18 councillors, 12 who are nominated by East Sussex County Council and 6 who are nominated by Brighton & Hove City Council. They have legal responsibility to provide a Fire and Rescue Service for the whole of East Sussex and the City of Brighton & Hove. The Chief Fire Officer reports to the Fire Authority which has ultimate responsibility for such things as deciding how many fire stations are needed, how many firefighters, how many fire appliances and how much money needs to be raised from local taxes to pay for the service.

East Sussex Fire and Rescue Service is managed by its board or Corporate Management Team (CMT) comprising three Principal Officers and six assistant directors. The role of the Chief Fire Officer is to deliver the strategic aims and objectives on behalf of the Fire Authority and is supported by CMT who deliver services to local communities, and the necessary support functions, through the following directorates:

- Service Delivery – comprising:
 - o Safer Communities
 - o Operational Support and Resilience
 - o Human Resources and Organisational Development
- Service Planning and Assurance – comprising:
 - o Resources / Treasurer
 - o Planning and Improvement
 - o Training and Assurance

The team meet at least once a month to discuss strategic and policy issues and to monitor and determine service and financial plans into the future.

The Expenditure and Funding Analysis demonstrates how the funding available to the Authority for the year 2016/17 has been used to provide services and this note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Notes to the Accounting Statements

A. Adjustments between Funding and Accounting Basis

2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Training & Assurance	1	(14)	2	(11)
Resources/Treasurer	787	69	(5)	851
Planning & Improvement	-	42	-	42
Human Resources & Organisational Development	-	35	2	37
Safer Communities	-	(829)	1	(828)
Operational Support & Resilience	1,187	128	39	1,354
Corporate	-	16	-	16
Net Cost of Services	1,975	(553)	39	1,461
Other income and expenditure from the Expenditure and Funding Analysis	(1,016)	12,044	68	11,096
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	959	11,491	107	12,557

2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Training & Assurance	1	1	-	2
Resources/Treasurer	1,306	88	3	1,397
Planning & Improvement	-	47	1	48
Human Resources & Organisational Development	-	38	(7)	31
Safer Communities	-	(625)	3	(622)
Operational Support & Resilience	1,181	165	(27)	1,319
Corporate	-	17	-	17
Net Cost of Services	2,488	(269)	(27)	2,192
Other income and expenditure from the Expenditure and Funding Analysis	(2,482)	12,640	77	10,235
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	6	12,371	50	12,427

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Notes to the Accounting Statements

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income. **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

B. Service income received on a segmental basis is analysed below:

	2015/16	2016/17
	£000	£000
Income from Services		
Training & Assurance	(134)	(136)
Resources/Treasurer	(337)	(384)
Planning & Improvement	-	-
Human Resources & Organisational Development	(8)	(4)
Safer Communities	(206)	(235)
Operational Support & Resilience	(1,198)	(2,392)
Corporate	(89)	(35)
Total income analysed on a segmental basis	(1,972)	(3,186)

Notes to the Accounting Statements

C. Expenditure and Income is analysed by nature below:

	2015/16	2016/17
	£000	£000
Expenditure		
Employee benefits expenses	28,772	28,445
Other services expenses	21,008	20,550
Support service recharges	600	526
Depreciation, amortisation, impairment	2,512	1,975
Interest payments	510	506
Precepts and levies	-	-
Gain on the disposal of assets	(374)	8
Total expenditure	53,028	52,010
Income		
Fees, charges and other service income	(1,972)	(3,186)
Interest and investment income	(129)	(117)
Income from council tax and non domestic rates	(30,699)	(31,908)
Government grants and contributions	(8,371)	(6,653)
Total income	(41,171)	(41,864)
Surplus or Deficit on the Provision of Services	11,857	10,146

Notes to the Accounting Statements

26. Trading Operations

The Authority has no trading operations at 31 March 2017 or in the previous year. The Authority set up East Sussex Safety Solutions Community Interest Company which was incorporated under the Companies Act 2006 as a Community Interest Company, and was dissolved on 19/01/16 without having undertaken any trading operations.

27. Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

	2015/16 £000	2016/17 £000
Allowances	71	74
Expenses	2	2
Total	73	76

Further details of allowances can be found on the East Sussex Fire and Rescue Service website www.esfrs.org.

28. Officers' Remuneration

The following table provides information about the remuneration of those senior managers who influence the decisions of the Fire Authority as a whole (i.e. those officers who are members of the Corporate Management Team).

Senior Employees Remuneration

2016/17	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Mr Gary Walsh (Chief Fire Officer & Chief Executive) (Note 1)	159,864	-	-	-	33,883	193,747
Deputy Chief Fire Officer (Notes 2, 5)	107,265	-	-	-	13,243	120,508
Assistant Chief Fire Officer (Note 5)	86,878	-	-	-	12,424	99,302
Assistant Chief Officer (People&Org Dev) (Notes 1, 3, 4)	24,569	-	-	44,211	5,135	73,915
Assistant Director Resources/Treasurer (Note 3)	75,765	-	29	-	16,146	91,940
Interim Deputy Chief Fire Officer (Note 6)	25,436	-	-	-	-	25,436
Temporary Assistant Chief Fire Officer (Note 7)	26,258	-	-	-	5,684	31,942
Assistant Director Safer Communities (Note 8)	29,026	-	-	-	2,019	31,045
Acting Assistant Director Safer Communities (Note 9)	34,131	-	-	-	7,407	41,538
Assistant Director Safer Communities (Note 10)	5,713	-	-	-	817	6,530
Assistant Director HR and Org. Dev. (Note 3)	58,843	-	1,603	-	12,298	72,744
Assistant Director Training and Assurance (Note 3)	58,967	-	302	-	12,324	71,593
Assistant Director Planning and Improvement (Note 3)	44,061	-	-	-	9,340	53,401

Notes to the Accounting Statements

Notes:

1. Salary, Fees and Allowances include a Management Allowance of 12% of salary.
2. Salary, Fees or Allowances include £8,000 Relocation Allowance (not taxable, nicable or pensionable)
3. LGPS Pension Scheme applies
4. Terminated employment 30/06/2016
5. Employed from 01/06/2016
6. Secondment from Hampshire Fire and Rescue Service to 31/05/2016. Value stated is amount invoiced by HF&RS.
7. Temporary period of engagement as Assistant Chief Fire Officer - 01/04/2016 to 30/06/2016
8. Terminated employment 02/09/2016. Ceased pension scheme membership 30/06/2016
9. Temporary engagement for period 15/08/16 to 28/02/17
10. Engagement from 01/03/17 only

2015/16	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Chief Fire Officer (Notes 1,4)	89,480	-	-	-	-	89,480
Deputy Chief Fire Officer (Notes 1,2)	138,778	-	-	-	30,113	168,891
Assistant Chief Fire Officer (Notes 1,3)	92,593	-	-	-	20,090	112,683
Assistant Chief Officer (Notes 1,5)	96,587	-	-	-	19,703	116,290
Treasurer (Note 5)	59,963	-	40	-	12,511	72,514
Interim Deputy Chief Fire Officer (Note 6)	64,176	-	-	-	-	64,176

Notes:

1. Salary, Fees and Allowances include a Management Allowance of 12% of salary.
2. Deputy Chief Fire Officer to 30/9/2015 then Chief Fire Officer from 1/10/2015
3. Retired 18/1/2016
4. Retired 30/9/2015
5. LGPS Pension Scheme applies
6. Secondment from Hampshire Fire and Rescue Service. Value stated is amount invoiced by HF&RS.

The Authority's employees (excluding those shown above) receiving more than £50,000 remuneration for the year in bands of £5,000, excluding employer's pension contributions were:

Remuneration band	2015/16	2016/17
	Number of employees	Number of employees
£50,000 to £54,999	15	17
£55,000 to £59,999	9	9
£60,000 to £64,999	2	4
£65,000 to £69,999	3	-
£70,000 to £74,999	1	-

Notes to the Accounting Statements

29. Exit Packages

Reporting of the Authority and other compensation schemes - Exit Packages

2016/17 Exit package cost band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	-	-	11	117	11	117
£20,000 to £39,999	1	26	-	-	1	26
£40,000 to £59,999	-	-	-	-	-	-
£60,000 to £79,999	-	-	-	-	-	-
£80,000 to £99,999	-	-	-	-	-	-
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	1	26	11	117	12	143

2015/16 Exit package cost band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	-	-	14	145	14	145
£20,000 to £39,999	-	-	-	-	-	-
£40,000 to £59,999	1	44	-	-	1	44
£60,000 to £79,999	-	-	-	-	-	-
£80,000 to £99,999	-	-	-	-	-	-
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	1	44	14	145	15	189

30. External Audit Costs

The Authority has incurred the following costs during the year in relation to the audit of the Statement of Accounts provided by the Authority's external auditors, Ernst and Young.

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	31	31
Total	31	31

Notes to the Accounting Statements

31. Grant Income

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2016/17

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	7,149	7,256
Revenue Support Grant	7,514	6,196
Capital Grants & Contributions recognised	565	73
Other Revenue Grants	291	287
Fire Transitional Grant	-	97
Total	15,519	13,909
Credited to Services		
Home Office ESMCP	-	1,160
New Dimensions	48	48
Firelink	147	191
Responding to New Risks	-	19
Other grants	-	8
Total	195	1,426

The Authority received a capital grant in 2016/17 for £0.021m that has yet to be recognised as income as it has conditions attached to it which could require it to be returned to the giver (there were none in the prior year).

32. Related Parties

The Fire Authority is obliged to disclose material transactions with related parties, a term that includes central government, the Pension Fund, some partnerships, as well as any financial relationships with Members and Senior Officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the Authority might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with 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.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in Note 25. Grant receipts outstanding at 31 March 2017 are shown in Note 31.

East Sussex County Council

East Sussex County Council provides financial services to the Authority. The arrangement has been in operation since 1997. The services provided include accounts payable, accounts receivable, payroll, pension administration, treasury management, accountancy and internal audit. The cost of these services was £0.220m in 2016/17 (£0.215m in 2015/16)

Brighton & Hove City Council

Brighton & Hove City Council provide legal services and the Monitoring Officer to the Fire Authority, and have done so since 1997. The cost of these services was £0.121m in 2016/17 (£0.187m in 2015/16)

Members and Senior Officers

Members of the Fire Authority have direct control over the Authority's financial and operating policies. None of the Members or Senior Officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at Fire HQ, Lewes, and is open to public inspection. The total of members' allowances paid in 2016/17 is shown in Note 27.

Notes to the Accounting Statements

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 movement is analysed in the second part of this note.

	2015/16 £000	2016/17 £000
Opening Capital Financing Requirement	11,123	10,973
Capital Investment		
Property, Plant and Equipment	3,192	1,950
Revenue Expenditure Funded from Capital under Statute	(25)	-
Sources of Finance		
Capital receipts	(1,087)	(926)
Government grants & other contributions	(688)	(73)
Sums set aside from revenue		
Direct Revenue contributions	(1,097)	(512)
Minimum Revenue Provision	(445)	(439)
Closing Capital Financing Requirement	10,973	10,973

The Capital Financing Requirement represents the Authority's net need to borrow to finance its capital investment, made up of all loan investment in previous years, less amounts set aside each year for the redemption of debt.

<i>Explanation of movements in year</i>	2015/16 £000	2016/17 £000
Decrease in underlying need to borrowing (unsupported by government financial assistance)	(150)	-
Decrease in Capital Financing Requirement	(150)	-

34. Leases

Authority as Lessee

Finance Leases - The Authority does not have any finance leases where it acts as a lessee.

Operating Leases - The Authority has lease cars for certain staff and paid £0.015m in 2016/17 (£0.012m in 2015/16).

The future minimum lease payments payable in future years are:

	31 March 2016 £000	31 March 2017 £000
Not later than one year	5	8
Later than one year and not later than five years	7	6
Later than five years	-	-
Total	12	14

Notes to the Accounting Statements

Authority as Lessor

Finance Leases - The Authority does not have any finance leases where it acts as a lessor.

Operating Leases – The Authority leases out Property, Plant and Equipment under operating leases in relation to space on its aerial masts and space at Fire Stations and received £0.037m in 2016/17 (£0.059m in 2015/16).

The future minimum lease payments receivable in future years are:

	31 March 2016	31 March 2017
	£000	£000
Not later than one year	28	33
Later than one year and not later than five years	55	55
Later than five years	95	81
Total	178	169

35. Impairment and Revaluation Losses

During 2016/17, revaluation losses recognised in the Cost of Services totalled £0.2m (£2.5m in 2015/16). The higher amount in 2015/16 was mainly due to a valuation of the newly constructed fire station in Newhaven (Saxon House) which was previously recognised at construction cost but subsequently valued at fair value using a depreciated replacement cost methodology.

36. Defined Benefits Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Accounting Policies note explains that the Authority participates in four schemes, the 1992 Firefighter's Pension Scheme, the 2006 Firefighter's Pension Scheme, the 2015 Firefighter's Pension Scheme and the Local Government Pension Scheme.

The Firefighters' Pension Schemes are administered nationally, and the Income and Expenditure Account contains actual contributions made to the schemes. Details of the East Sussex Firefighters Pension Fund can be found on pages 67 to 69. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition, the Authority has liabilities for discretionary payments for added years, and other benefits both for local government employees and for Firefighters. These are charged as an expense to the accounts of the Authority, rather than those of the Pension Fund.

Transactions Relating to Post-employment Benefits - We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the contributions made in the year, so the real cost of retirement benefits is reversed out through the General Fund via the Movement in Reserves Statement and the contributions made in the year are included. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Accounting Statements

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service Cost Comprising:				
• current service cost	1,563	1,381	8,400	7,300
• past service costs	16	176	200	800
• (gain) / loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	440	344	12,200	11,700
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	2,019	1,901	20,800	19,800
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	541	(5,178)	-	-
• Actuarial gains and losses arising on changes in demographic assumptions	-	(655)	(1,100)	2,300
• Actuarial gains and losses arising on changes in financial assumptions	(5,043)	7,264	(36,300)	66,700
• Other (if applicable)	(341)	(1,435)	(24,300)	(29,400)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,824)	1,897	(40,900)	59,400
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code Actual amount charged against the General Fund Balance for pensions in the year:	3,872	(787)	50,300	(50,300)
Employers' contributions payable to the scheme	1,048	1,110	9,400	9,100

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present value of the defined benefit obligations:					
Local Government Pension Scheme	(28,058)	(37,361)	(46,585)	(43,854)	(51,547)
Firefighters Pension Schemes	(291,200)	(324,400)	(384,300)	(334,000)	(384,300)
Fair value of assets in the Local Government Pension Scheme	22,982	28,699	33,115	34,256	41,162
Deficit in the scheme:					
Local Government Pension Scheme	(5,076)	(8,662)	(13,470)	(9,598)	(10,385)
Firefighters Pension Schemes	(291,200)	(324,400)	(384,300)	(334,000)	(384,300)
Total	(296,276)	(333,062)	(397,770)	(343,598)	(394,685)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £435.8m (£377.9m in 2015/16) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £394.7m (£343.6m in 2015/16).

Notes to the Accounting Statements

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 a 20 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2017 is £1.087m (£1.020m in 2015/16).

Based on the current benefit structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities as at 31 March 2017 is employee members £27.4m (£30.8m 31 March 2016), deferred pensioners £7.6m (£3.9m) and pensioners £16.5m (£19.1m). There was no liability in respect of LGPS unfunded pensions at 31 March 2017 (£0.029m at 31 March 2016). It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening balance at 1 April:	46,585	43,854	384,300	334,000
Current Service Cost	1,563	1,381	8,400	7,300
Interest Cost	1,509	1,551	12,200	11,700
Contributions by scheme participants	348	357	1,900	1,700
Re-measurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	-	(655)	(1,100)	2,300
• Actuarial gains/losses arising from changes in financial assumptions	(5,043)	7,264	(36,300)	66,700
• Other	(341)	(1,435)	(24,300)	(29,400)
Past Service Cost	16	176	200	800
Losses/(gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(781)	(946)	(10,500)	(10,500)
Liabilities extinguished on settlements	-	-	-	-
Unfunded Benefits paid	(2)	-	(300)	(300)
Other	-	-	(500)	-
Closing balance at 31 March:	43,854	51,547	334,000	384,300

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening fair value of scheme asset at 1 April:	33,115	34,256	-	-
Interest Income	1,069	1,207	-	-
Re-measurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(541)	5,178	-	-
• Other	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,048	1,110	9,400	9,100
Contributions from employees into the scheme	348	357	1,900	1,700
Benefits paid	(783)	(946)	(10,800)	(10,500)
Other	-	-	(500)	(300)
Closing fair value of scheme assets at 31 March:	34,256	41,162	-	-

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.

The actual return on scheme assets in the year was £6.4m (2015/16: £0.5m).

Notes to the Accounting Statements

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2015/16 £000	%	Fair value of scheme assets 2016/17 £000	%
Cash and cash equivalents	1,140	3	1,616	4
Equity instruments:				
By industry type				
• Consumer	629	2	767	2
• Manufacturing	409	1	406	1
• Energy and utilities	90	-	69	-
• Financial institutions	1,012	3	1,245	3
• Health and care	434	1	705	2
• Information technology	521	2	587	1
• Other	173	1	222	1
Sub-total equity	3,268	10	4,001	10
Bonds:				
By sector				
• Government	623	2	1,141	3
• Other	638	2	73	-
Sub-total bonds	1,261	4	1,214	3
Private equity:				
All	2,046	6	2,356	6
Sub-total private equity	2,046	6	2,356	6
Other investment funds:				
• UK Property	4,057	12	3,947	10
Sub-total other investment funds	4,057	12	3,947	10
Investment funds and unit trusts:				
• Equities	17,757	51	22,670	54
• Bonds	3,977	12	4,747	12
• Hedge Funds	37	-	41	-
• Commodities	17	-	61	-
• Infrastructure	579	2	455	1
• Other	117	-	45	-
Sub-total Investment funds and unit trusts	22,484	65	28,019	67
Derivatives:				
• Foreign exchange	-	-	9	-
Total assets	34,256	100	41,162	100

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fire Authority Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the calculations in the latest full valuation of the scheme as at 31 March 2016 rolled forward to the Balance Sheet date allowing for the different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:				
Longevity for current pensioners:				
• Men	22.2	22.1	29.7	30.2
• Women	24.4	24.4	31.6	31.7
Longevity for future pensioners:				
• Men	24.4	23.8	31.2	31.6
• Women	26.7	26.3	33.2	33.2
Rate of inflation	2.20%	2.40%	3.20%	3.40%
Rate of increase in salaries	4.20%	2.80%	3.20%	3.40%
Rate of increase in pensions	2.20%	2.40%	2.20%	2.40%
Rate for discounting scheme liabilities	3.50%	2.60%	3.50%	2.60%
Take-up of option to convert annual pension into retirement lump sum	50%/75%	50%/75%	90.00%	90.00%

Notes to the Accounting Statements

Average future life expectancies for the Local Government Pension Scheme is at age 65

Average future life expectancies for the Firefighters Pension Scheme is at age 60

Take-up option for LGPS is 50% for pre-April 2008 service and 75% for post-April 2008 service

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 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;

Change in assumptions at 31 March 2017:

Local Government Pension Scheme

0.5% decrease in Real Discount Rate

1 year increase in member life expectancy

0.5% increase in the Salary Increase Rate

0.5% increase in the Pension Increase Rate

Firefighters Pension Schemes

0.5% decrease in Real Discount Rate

1 year increase in member life expectancy

0.5% increase in the Salary Increase Rate

0.5% increase in the Pension Increase Rate

Impact on the Defined Benefit Obligation in the Scheme	
Approximate increase to Employer	Approximate monetary amount
%	£000
11%	5,798
3-5%	1,546-2,577
2%	1,267
9%	4,422
9%	35,800
3%	11,500
1%	5,100
8%	30,300

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. As at the last valuation dated 31 March 2016 the actuary reported a funding level of 92%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2019.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £394.7m (£10.4m Local Government Pension Scheme and £384.3m Firefighters Pension Schemes) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. 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 (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- the Firefighters Pension schemes are unfunded national schemes with Employers' contributions determined by the Secretary of State on the advice of the Government Actuary who will have regard to the total cost of the Scheme benefits.

In 2017/18 the Authority anticipates paying £1.087m contributions to the Local Government Pension scheme, £2.176m towards the Firefighters Pension schemes.

The weighted average duration of the defined benefit obligation for Local Government Pension scheme members is 20.3 years and the Firefighters Pension Scheme is 17.4 years (20.3 years for injury pensions).

Notes to the Accounting Statements

37. Contingent Liabilities

A contingent liability is a possible present conditional obligation arising from past events and whose existence will be confirmed only by the occurrence of future uncertain events not wholly within the Fire Authority's control.

As was the position last year, the European Parliament and the European Council have not been able to find a compromise position regarding the Working Time Directive. The Conciliation Committee, comprising delegates from Parliament and Council, decided that it was not possible to reach an agreement on three crucial points – opt-out, on-call time and multiple contracts. Since there is no agreement, the current Directive remains in force, though the Commission can draft a new proposal from scratch. Such new legislation would need to take account of the rulings of the European Court of Justice regarding on-call time. Any change to the implementation of the Working Time Directive is likely to have implications for Fire and Rescue Authorities particularly in relation to operational personnel conditioned to the retained duty system and others involved with on-call time. It is not possible to project the financial implications at this stage.

38. Nature and extent of risks arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- 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;
- Re-financing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Fire Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing strategies and policies to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Authority on 11th February 2016 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £11.81 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £11.25 million. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable rate interest rate exposure were set at 100% based on the Authority's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown under the Refinancing and Maturity Risk section of this note.

Notes to the Accounting Statements

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimized through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

Whilst the recent credit crisis in international markets has raised the overall possibility of default, the Authority maintains strict credit criteria for investment counterparties. The credit criteria in respect of financial assets held by the authority at 31 March 2017 are detailed below:

Officers regularly review the investment portfolio, counterparty risk and construction, and use market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets. The Authority in addition to other tools uses the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Authority to determine the duration for investments. The Authority will therefore use counterparties within the following durational bands provided they are domiciled in the UK or AAA countries only:

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

Y	P	B	O	R	G	N/C
Up to 2yrs	Up to 2yrs	Up to 1yr	Up to 1yrs	Up to 6 mths	Up to 100days	Not used

The Capita Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal parameters.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £4.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The Authority has no exposure to credit risk on other financial assets such as bonds.

No breaches of the Authority's counterparty criteria occurred during the reporting period. In October 2008, the Icelandic banking sector defaulted on its obligations but the Authority had no funds invested in this sector. All the Authority's deposits are made through the London Money Markets. As at 31 March 2017, the Authority's investments included £12.0m with UK banks, £10.4m in Money Market Funds, with no investments in non-UK banks. The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for its customers, however £0.053m in 2016/17 (£0.297m 2015/16) is past its due date for payment. The past due amount can be analysed by age as follows:

Notes to the Accounting Statements

	31 March 2016	31 March 2017
	£000	£000
Less than three months	295	46
Three to five months	1	-
Five months to one year	-	6
More than one year	1	1
Total	297	53

Collateral – During the reporting period the Authority held no collateral as security

Liquidity risk –

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Authorities (although it will not provide funding to an Authority whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets (excluding customers) is as follows:

	2015/16	2016/17
	£000	£000
Less than one year (current assets)	21,363	25,223
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	21,363	25,223

Refinancing and Maturity Risk –

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Notes to the Accounting Statements

The maturity analysis of financial liabilities, including the minimum and maximum limits for fixed interest rates maturing in each period, is as follows:

	Approved Minimum Limit	Approved Maximum Limit	2015/16	2016/17
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	2,527	3,819
Between one and two years	0%	40%	200	-
Between two and five years	0%	60%	75	475
Between five and ten years	0%	80%	2,203	2,353
More than ten years	0%	80%	8,495	7,945
			13,500	14,592

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk – The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect in 2016/17 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	104
Impact on Surplus or Deficit on the Provision of Services	104

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.104 million (£0.077 million at 31 March 2016) represents the immediate impact on the Authority's investments that are on variable rate, but ignores the impact of overnight and short-term fixed rate investments. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk - The Authority does not invest in equity shares or marketable bonds.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Pension Fund Accounts Firefighters'

Introduction

The Firefighters' Pension Scheme eligible to operational firefighters is unfunded, that is there are no investment assets to offset liabilities. From 1 April 2006, employee contributions and employer's contributions are paid into a pension fund account from which pension payments are made. The account is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. The underlying principle of these arrangements is that employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees, while central Government will meet the costs of retirement pensions in payment, net of these contributions. The account forms part of the assets and liabilities of the Fire Authority.

The initial amount received from the Government during the year is based on an early estimate of likely outcome based on pensionable pay of members in the scheme and an estimate for members joining and leaving, and an estimate of likely lump sum retirement benefits payable to firefighters due to retire during the year.

In the event this year, both the lump sum retirement benefits paid to firefighters who actually retired during the year was in excess of that sum based on the estimated number of firefighters who were eligible and were likely to retire and the estimate of pension pay proved to be understated. The pension top-up grant accordingly under-advanced by the Government is required to be paid to the Fire Authority after the year end accounts are finalised.

The Firefighters' Pension Fund Account is not a bank account, and the fund does not require active fund administration and management. The Firefighters' Pension Fund Account is accounted for separately and in such a way to record the applicable transactions as they arise from employee and employer contributions from payroll, the payments of lump sums at retirement, accounting for ill-health charges to accord to a Government formula, and the accounting to eliminate that element within pensions paid relating to retirement on grounds of injury. Since such an injury element of pensions paid cost is not borne by the Firefighters' Pension Fund Account and hence by the Government, this is a cost to the Fire Authority.

The Firefighters' Pension Fund Account has been prepared on an accruals basis. Accruals are not significant since substantially all the transactions are derived either from payroll, or from actual payments into and out of the Firefighters' Pension Fund Account. There are no significant estimation techniques adopted.

The Firefighters' Pension Fund Account does not take account of liabilities to pay pensions and other benefits in the future.

The 2016/17 Accounts include an amount of additional Top up grant received and additional lump sum payments totalling £0.151m in respect of the Secretary of State's decision to allow members under the age of 50 who have accrued 30 years' service to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50.

For 2016/17 the value of Lump Sum Death Benefits has been shown separately to the balance of Commutations and Lump Sum Retirement Benefits. In 2015/16 the balance of Lump Sum Death Benefits contained within the £1,828m of Commutations and Lump Sum Retirement Benefits was £0.019m.

Pension Fund Accounts Firefighters'

Fund Account

2015/16 £000		2016/17 £000
	Contributions Receivable:	
(2,475)	Contributions in relation to pensionable pay	(2,460)
(4,640)	Top up grant received	(4,776)
(122)	Ill Health charges	(158)
(2,040)	Firefighters contribution	(1,887)
(9,277)		
(40)	Transfers in from other authorities	(9,281)
		(31)
	Benefits Payable:	
9,310	Pensions	8,751
1,828	Commutations and Lump Sum Retirement Benefits	2,083
-	Lump Sum Death Benefits	75
11,138		10,909
	Payments to and on account of leavers:	
-	Transfers out to other authorities	-
-		-
1,821	Net amount Payable for year	1,597
(1,821)	Top up grant payable by the government	(1,597)
-		-

Net Assets Statement

31 March 2016 £000		31 March 2017 £000
	Current Assets:	
	- Contributions due from fire authority	-
	- Recoverable overpayments of pensions	-
1,821	Top-up grant receivable from the government	1,597
	- Cash and Cash Equivalents	-
	Current Liabilities:	
(1,821)	Cash overdrawn	(1,597)
	- Unpaid pensions benefits	-
	- Amount of grant payable to the government	-
-		-

Pension Fund Accounts Firefighters'

1. Employer Contributions

The Fire Authority bore pension contributions as the employer, totalling £2.460m (£2.475m 2015/16) representing 21.7% of pensionable pay for firefighters under the 1992 scheme, 11.9% for firefighters under the 2006 scheme and 14.3% for firefighters under the 2015 scheme.

In addition to normal employer's contributions, ill-health charges of £0.158m (£0.122m in 2015/16) and injury portions of pensions totalling £0.281m (£0.291m in 2015/16) were paid by the Fire Authority.

2. Top Up Grant

The Firefighters' Pension Scheme is an unfunded scheme with any deficit/surplus on the account funded via a government grant or paid back to government.

The grant is paid once a year and consists of two elements;

- 80% of the estimated pension deficit for the current year (100% of any estimated surplus would be required to be repaid)
- The amount required to fully fund the previous year's pension scheme deficit or payment required to recover any surplus.

The top up grant receivable from the Department for Communities and Local Government is accounted for through the Firefighters pension fund account under the Firefighters Pension Regulations 2006. It does not impact on the Authority's comprehensive income and expenditure statement.

3. IAS 19 Employee Benefits

Details of the Actuarial Valuation are included within Note 36 to the Fire Authority statements.

4. Contingent Liabilities

The Fire Brigades Union took Collective Action in respect of the Fire Service Pension Scheme and the Transitional Provisions which came into force on 1 April 2015. This action was taken against all Fire and Rescue Authorities as employers, even though the Scheme and Transitional Provisions were introduced nationally by the Department for Communities and Local Government. The Employment Tribunal considering the matter determined that the arrangements did not discriminate. However, the FBU has subsequently filed an appeal. If the appeal is successful there is a risk that the Firefighters' Pension Fund Account could incur costs as a result.

Pension Fund Accounts Firefighters'

Accruals

Provision made at the year-end to bring into account outstanding debtors, creditors, etc., in order to show income and expenditure as it is earned or incurred.

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events differing from the previous forecast, or a change in actuarial assumptions.

Actuarial Valuation

A review of the Pension Fund normally carried out at 3-year intervals, which assesses the contributions required from employing bodies in order to maintain the Fund's ability to pay benefits in future years to pensioners, contributors and their dependants.

Admitted Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Pension Fund and the relevant body (contrasting with Scheduled Bodies – see below).

Amortisation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of intangible assets are consumed during the year, calculated from the estimated life expectancy and any residual value.

Bad Debt Provision

Amount of money set aside to meet cost of monies owed to the Authority that are not expected to be repaid.

Balances

A working balance maintained as a cushion against unexpected expenditure during the year. It is the amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Business Rates Retention

Under the new Business Rates Retention scheme, Authorities will retain a share of all and any additional business rates they get above a determined baseline. This potentially provides a direct local incentive to encourage growth within local boundaries.

Capital / Capital Expenditure / Capital Receipts

Capital expenditure pays for the acquisition of assets or the enhancement (rather than maintenance) of existing assets. It is financed mainly from borrowing, and charged to revenue over a number of years. We plan for capital expenditure over several years in the published capital programme. The term 'capital receipts' covers income from the sale of assets, together with grants and contributions received specifically for financing the capital programme. Capital receipts can only be used for capital purposes, and not to support the revenue budget.

Cash Equivalents

These are investments, which amount to short term deposits.

Community Assets

These are assets, which the Authority intends to hold in perpetuity and have no determinable finite useful life.

Corporate and Democratic Core (CDC)

Corporate and Democratic Core (CDC) is defined as the two service divisions Democratic Representation and Management (DRM) and Corporate Management (CM).

Contingent Assets and Liabilities

A statement of a possible gain or loss to the Authority, which is contingent upon the outcome of an event, which is not known for certain when the accounts are drawn up.

Corporate Management (CM)

Corporate management concerns those activities and costs that provide the infrastructure that allows services to be provided, whether by the Authority or not, and the information that is required for public accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services. There are no subdivisions recommended for CM.

General Fund

The main revenue fund of the Authority into which is paid income from the council tax precept, grants and charges for services and from which is met the cost of providing services.

Pension Fund Accounts Firefighters'

Creditors

Amounts owed by the Authority but not paid at the date of the Balance Sheet.

Curtailments

This heading covers the additional cost arising from the early payment of pension benefits when an employee is made redundant. The full estimated discounted cost is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Debtors

Amounts owed to the Authority but unpaid at the date of the Balance Sheet.

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension Scheme, where the benefits to employees are based on their final salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute.

Democratic Representation and Management (DRM)

This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. To give authorities maximum flexibility in reflecting their own constitutional arrangements, there are no recommended subdivisions of service.

Depreciation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of property, plant and equipment are consumed during the year, calculated from the estimated life expectancy and any residual value.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The concept of fair value is used in many accounting standards including the IFRS covering acquisition, valuation of assets, and financial instruments, but it is not limited to these.

Heritage Assets

Heritage assets are assets that are held by the authorities principally for their contribution to knowledge or culture.

Impairment

Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it actually only covers licences for the use of computer software.

IFRS and IAS

International Financial Reporting Standards and International Accounting Standards

Leasing

A method of obtaining the use of assets: a rental charge is paid for a specified period, but under operating lease conditions the asset remains the property of the lessor and the Authority has no rights to purchase. Finance leases transfer substantially all the risks and rewards of ownership.

Minimum Revenue Provision

An amount, prescribed by Government, to be set aside from revenue for the redemption of debt.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Net Worth

The total of all assets less the total of all liabilities. It helps to determine the value of an entity and is also known as Total Net Assets or Total Equity.

Non-Distributed Costs

These are costs which the Authority has to bear, but which do not support any statutory services. This includes three elements of the pension cost (Past Service Cost, Settlements, and Curtailments) which are defined elsewhere, and the costs of properties, which have been declared surplus and are awaiting disposal.

Pension Fund Accounts Firefighters'

Non-Domestic Rates

A charge on commercial and industrial buildings fixed by the Government and reallocated to local authorities.

Post Balance Sheet Events

A statement of the financial implications of an event taking place after the Balance Sheet date, which has a material effect on the Authority's financial position at the balance sheet date.

Prior Period Adjustments

Material adjustments that are applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Equity

Investments into new and developing companies and enterprises, which are not publicly traded on a recognised stock exchange.

Property, Plant and Equipment (PP&E)

Property, plant and equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. PP&E is a summation of all the Authority's purchases of property, plant, and pieces of equipment to that point in time, less any depreciation.

Provisions

Provisions are made for liabilities and losses which have already been incurred at the date of the balance sheet, and for which the amount or dates on which they will arise can be reliably measured.

Public Works Loan Board (PWLB)

A Government agency, which provides the main source of borrowing for local authorities.

Related Parties

This term covers individuals or bodies with which the Authority has a close economic relationship. It includes Members and Senior Officers, Government departments that provide funding, and other bodies that are involved in partnerships with the Authority.

Reserves

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

Revenue

Recurring expenditure principally on pay, running costs of buildings, equipment, and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be charged to capital but which does not result in a tangible asset.

Service Reporting Code of Practice for Local Authorities (SeRCOP).

The code gives a mandatory definition of total cost and the divisions of service at which total cost must be aggregated when presenting cost based information and performance indicators in a published format. SeRCOP provides guidance/support the objective to establish the widest range of financial reporting requirements, in order that data consistency and comparability are achieved. SeRCOP particularly aims to meet the demands of both the Best Value and the Transparency initiatives and its various stakeholders.

Unusable Reserves

This include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve) adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

Usable Reserves

This includes the revenue and capital resources available to meet future expenditure (e.g. General Balances, Earmarked Reserves, and the Capital Receipts Reserve).



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14 September 2017

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our ref
DS/AB

your ref

Dear Sir

This letter of representations is provided in connection with your audit of the financial statements of East Sussex Fire Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of East Sussex Fire Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Authority and committees held during 2016/17 through to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Representations required in specific circumstances

1. Comparative information

The Authority has introduced a change in accounting policy in respect of the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement as a result of CIPFA's "Telling the Story" review

of improvements to the presentation of local authority financial statements.

These changes in accounting policy required full retrospective restatement in accordance with the requirements of the Code and IAS 1 and therefore the Authority has restated the preceding year information (ie for the 2015/16 financial year). There is no impact on the Authority's Balance Sheet.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

2. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

3. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

4. Use of the Work of a Specialist

1. We agree with the findings of the specialist that we engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We agree with the findings of the specialist that we engaged to evaluate the valuation of Defined Benefit Pension Schemes and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

5. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine accounting estimates have been consistently applied and are

appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out our duties on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.
6. **Retirement benefits**
 1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

Duncan Savage CPFA
Assistant Director - Resources & Treasurer

Councillor Roy Galley
Chairman of the Scrutiny & Audit Panel

EAST SUSSEX FIRE AUTHORITY

Meeting: Scrutiny & Audit
Date: 14 September 2017
Title of Report: 2017/18 1st Quarter Performance Report
By: Liz Ridley, Assistant Director – Planning & Improvement
Lead Officer: Sharon Milner, Performance Analyst
Lead Member: Cllr Roy Galley

Background Papers: None

Appendices: A – Quarter 1 Performance Report 2017/18
 B – Exceptions report

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT: To present the first quarter performance results 2017/18.

EXECUTIVE SUMMARY: This report provides the Panel with a summary of service performance information for the 1st quarter of 2017/18.

RECOMMENDATION: The Panel is asked:

1. To consider the 2017/18 performance results for Quarter 1 as set out in Appendix A and the exceptions report as set out in Appendix B.
2. To agree that the Service will prioritise work in seven areas. Two additional areas to the five priority areas that the Fire Authority has already identified as areas of significance.

The five Fire Authority priorities areas currently are:

1. Reducing accidental dwelling fires
2. Confining the fire to the room of origin
3. Reducing attendance at false alarm calls
4. Increasing the number of home safety visits to vulnerable members of our community
5. Reducing sickness

The two further areas recommended to the Panel to agree to prioritise for the immediate future are:

1. Increasing inspections in high risk premises
2. Numbers of home safety visits

1. **INTRODUCTION**

- 1.1 This report contains the Quarter 1 performance indicator results for 2017/18, compared with the results for the same quarter in 2016/17 and provides projected year end results.
- 1.2 Where indicators are showing a decline of greater than 10% in performance against the same quarter in the previous year, explanations are required from the relevant responsible officers and form the exception report attached as Appendix B.

2. **MAIN ISSUES**

- 2.1 Performance for the first quarter of 2017/18 has shown a decline in a number of areas against the previous year, and nine indicators are reporting a greater than 10% decline in performance against quarter 1 2016/17 and so will have additional commentary in the exceptions report (Appendix B):
 - (i) The total number of incidents attended
 - (ii) The number of injuries in primary fires
 - (iii) The number of accidental dwelling fires
 - (iv) The number of primary fires
 - (v) The number of deliberate fires
 - (vi) The number of safe and well visits completed
 - (vii) The number of RIDDOR incidents
 - (viii) The number of workplace reported accidents / injuries
 - (ix) The percentage of Automatic Fire Alarms (AFA) calls challenged by Sussex Control Centre (SCC).
- 2.2 The last performance report presented to the Panel gave more detailed commentary against the Fire Authority's five priority areas and an assessment of performance against each area is included in this report to continue that theme.

2.3 Reducing accidental dwelling fires

2.3.1 Accidental dwelling fires have been a priority area for the service for a number of years. Accidental dwelling fires have reduced by 38% from 2001/02 overall, but have plateaued in recent years. In Quarter 1 we have seen an increase of 24 accidental dwelling fires. These occurred across all three months (46 in April and 44 in both May and June) and cannot be directly attributed to the increase in incidents we have experienced since the Grenfell Towers fire.

2.3.2 The accidental dwelling fire working group is in place with staff from stations, community fire safety, communications and planning and intelligence who are working together to develop behaviour change campaigns to tackle this area. A cooking fire activity package is being delivered at station open days and materials have been produced to encourage families to learn about hazards in the kitchen. Immediate press releases are made after kitchen fires in order to raise awareness amongst the public on our web site and social media, together with important safety messages about owning and testing smoke alarms in homes.

2.3.3 This group has also started a new email newsletter which aims to target people who do not currently engage with us digitally, an advertising campaign has also started on Facebook. This will be amended depending on the first weeks 'click throughs' to our website advice and has the potential to reach 150,000 people in our area who are either parents or interested in cooking (one of the key target audiences). Volunteers will then be sent to key local locations (such as shopping centres in Brighton, Eastbourne and Hastings) where they will be promoting safety advice whilst asking the public to complete a short survey regarding their behaviour in a fire or a near miss, which may or may not have been reported to ESFRS. The Communications and Marketing team are working on the "Dr Distractor" campaign which will produce games /activities for children e.g. word search, spot the difference using the characters in Dr Distractor. This work also includes some animated short films. It will take some time before we see a positive impact on accidental dwelling fire numbers.

2.3.4 There is a large number of ongoing local initiatives being undertaken by the crews on station such as fitting stove guards and sprinkler systems, targeting high rise high risk premises with HSVs, providing HSVs to vulnerable people being released from hospital and the development of a hoarding framework to name but a few.

2.3.5 Within our Family Group 2, Durham and Darlington Fire and Rescue Service has been highlighted as a Service who are experiencing reductions in accidental dwelling fires and a visit is being arranged to establish what good practices they have developed and could be implemented here at ESFRS.

2.4 Responding quickly to a fire to stop it spreading from the room it started in

2.4.1 There was a slight decline in performance in comparison to last year, with 91% of fires confined to the room of origin in 2017/18 compared to 94.5% in 2016/17. In real numbers this means that out of 134 fires attended we contained 122 to the room of origin.

2.5 Reducing false alarm calls, especially in properties with a previous history of this

2.5.1 A call challenge policy is in place with responsible premise owners being asked to confirm the need for an attendance. A demand management strategy is in development as part of the Authority's integrated risk management plan and will be looking at our attendance at non life-threatening incidents. Reducing the demand on our Service for calls that are not deemed appropriate to attend will free up our resources to undertake meaningful community safety work that will make people safer in our communities.

2.5.2 We have experienced an increase of 68 false alarm good intent calls (a false alarm good intent (FAGI) is a call made by a member of the public who believed that there was a fire, but on arrival this was not the case) in comparisons to the same period last year. Analysis shows that 95 FAGIs were received in the 16 days after the Grenfell Tower fire, giving a daily average of 5.9, against an average of 3.8 for the previous 10 weeks of the quarter. In the immediate week following the Grenfell Tower fire the daily average for these types of calls was 7.4. The increase can be attributed to this fire.

2.6 Increasing the number of home safety visits that we complete with the more vulnerable members of our community

2.6.1 We delivered 91.4% of our home safety visits to vulnerable people within our community in the first quarter of 2017/18 which is a slight improvement on last year.

2.7 Reducing the number of absences of our employees due to sickness.

2.7.1 Sickness absence is another priority area for the service and performance has declined slightly from the same quarter last year, with 2.5 shifts lost as opposed to 2.3. Long term sickness is the biggest contributor to overall sickness figures and we are progressing a number of cases in order to reduce the overall total. A reviewed focus on this area has seen the establishment of a Healthy Mind and Healthy Body sub groups of the Health Safety and Wellbeing committee with areas of work including TRiM (Trauma Risk Management), change management and mindfulness, along with general fitness guidance for firefighters and staff. The service will be utilising prevention with an emphasis on wellbeing, support for those staff who need occupational health services and management in terms of managing attendance and training our managers effectively to deal with these situations, but the improvement in the sickness figures may take time to play through.

2.7.2 This proactive Management approach has had some impact, with three long term sickness cases recently being resolved, however newer cases have also now appeared.

2.7.3 ESFRS are about to undergo an Internal Audit to 'assess the adequacy of policy and procedure, and compliance with this, in relation to the management of sickness absence within East Sussex Fire Authority, including phased return to work/effective use of light duties and the accrual of annual leave through sickness.' The audit will consider the effectiveness of mechanisms in place to record, manage and report on sickness absence (via Firewatch where applicable), and will include analytical review and appropriate audit testing.

2.8 Additional information on Inspections of high risk premises completed

- 2.8.1 Although not a priority, but critically important on the back of the Grenfell Tower fire on 14 June 2017 there has been an intensive period whereby hundreds of residents have been visited by members of our business safety team. We want the Panel to understand that due to the definition of a high risk inspection only one audit will be recorded against an entire High rise building where one hundred plus flats will have been inspected.
- 2.9 Other areas requiring commentary are set out in the exceptions report attached as Appendix B.



East Sussex Fire & Rescue Service

East Sussex Fire & Rescue Service Performance Results Quarter 1 2017/18








AUGUST 2017

Our Purpose

We make our communities safer

We will do this by:

Commitment 1: Delivering high performing services

Indicator No.	How will we measure performance?	2016/17 Q1 result	National Quartile Position 2015/16	2017/18 Quarter 1	2017/18 Projected Year end	Direction of travel from 2016/17 result
6	Total number of incidents attended	2,189		2,527	10,136	Declined
7	Number of deaths in primary fires	0		0	0	Same
8	Number of injuries in primary fires	8		13	52	Declined
1 Priority	No of accidental dwelling fires	110		134	537	Declined
9	Number of primary fires	271		315	1,263	Declined
10	Number of deliberate fires	177		267	1,071	Declined
11	No of Industrial and Commercial fires	40		40	160	Same

12. First arriving appliance	2015/16 England Average	2015/16 FG2 Average	Q1 2016/17	Q1 2017/18	2017/18 Projected year end
Primary fires	8.7	10.2	7.8 (281)	7.7 (241)	7.7 (241)
Dwellings	7.7	9	7.0 (118)	7.0 (96)	7.0 (96)
with any casualty or rescue	7.6	N/a	7.2 (4)	6.3 (9)	6.3 (9)
without any casualty or rescue	7.7	N/a	6.9 (114)	7.1 (87)	7.1 (87)
Other Buildings	8.5	9.7	8.2 (64)	7.3 (49)	7.3 (49)
Other Residential	8.1	N/a	7.9 (11)	7.1 (6)	7.1 (6)
Non-Residential	8.5	N/a	8.2 (53)	7.3 (43)	7.3 (43)
Road Vehicles	10	10.9	8.3 (67)	8.8 (67)	8.8 (67)
Other (Outdoor Primary)	11	12.3	9.3 (31)	8.3 (29)	8.3 (29)
RTC Persons trapped / enhanced	N/a	N/a	10.1 (25)	8.0 (23)	8.0 (23)

13. Second arriving appliance	2015/16 England Average	2015/16 FG2 Average	Q1 2016/17	Q1 2017/18	2017/18 Projected year end
Primary fires	N/a	N/a	11.1 (157)	11.0 (136)	11.0 (136)
Dwellings	N/a	N/a	10.1 (93)	10.2 (77)	10.2 (77)
with any casualty or rescue	N/a	N/a	11.4 (4)	10.7 (9)	10.7 (9)
without any casualty or rescue	N/a	N/a	10.0 (89)	10.1 (68)	10.1 (68)
Other Buildings	N/a	N/a	11.4 (48)	10.9 (34)	10.9 (34)
Other Residential	N/a	N/a	8.1 (6)	12.9 (5)	12.9 (5)
Non-Residential	N/a	N/a	11.9 (42)	10.5 (29)	10.5 (29)
Road Vehicles	N/a	N/a	14.4 (8)	14.0 (16)	14.0 (16)
Other (Outdoor Primary)	N/a	N/a	17.4 (8)	12.7 (9)	12.7 (9)
RTC Persons trapped / enhanced	N/a	N/a	12.4 (51)	13.4 (21)	13.4 (21)

We make our communities safer

We will do this by:

Commitment 2: Educating our communities

Indicator No.	How will we measure performance?	2016/17 Q1 result	National Quartile Position 2015/16	2017/18 Quarter 1	2017/18 Projected Year end	Direction of travel from 2016/17 result
2 Priority	% of Home Safety Visits to vulnerable people	91.0%	This is an ESFRS indicator only, no National data is available for comparison	91.4%	91.4%	Improved
14	Undertake 10,000 Home Safety Visits	2,203		2,421	9,711	Improved
15	Number of safe and well visits conducted	213	This is an ESFRS indicator only, no National data is available for comparison	126	505	Declined
16	Inspections of high risk premises completed	88		80	321	Declined
17a	Number of business safety engagement events	4	This is an ESFRS indicator only, no National data is available for comparison	4	16	Same
17b	Number of attendees at business safety engagement events	23	This is an ESFRS indicator only, no National data is available for comparison	107	429	Improved

We make our communities safer

We will do this by:

Commitment 3: Developing a multi-skilled, safe and valued workforce

Indicator No.	How will we measure performance?	2016/17 Q1 result	National Quartile Position 2015/16	2017/18 Quarter 1	2017/18 Projected Year end	Direction of travel from 2016/17 result
3 Priority	The number of working days/shifts lost due to sickness not to exceed 7.5 per employee	2.3	This is an ESFRS indicator only, no National data is available for comparison	2.5	10.0	Declined
18	Number of RIDDOR incidents	2		3	12	Declined
19	Number of workplace reported accidents / injuries	40		51	204	Declined

We make our communities safer

We will do this by:

Commitment 4: Making effective use of our resources

Indicator No.	How will we measure performance?	2016/17 Q1 result	National Quartile Position 2015/16	2017/18 Quarter 1	2017/18 Projected Year end	Direction of travel from 2016/17 result
4 Priority	A 32% reduction of automatic fire alarms (AFA) from the base year result of 2009/10	37.7%	This is an ESFRS indicator only, no National data is available for comparison	34.3%	34.3%	Declined
20	% of AFA mobilised calls to properties covered by the RRO that were classified as a primary fire	2.2%	This is an ESFRS indicator only, no National data is available for comparison	1.8%	1.8%	Improved
21	% of AFA calls challenged by SCC	10.1%	This is an ESFRS indicator only, no National data is available for comparison	7.1%	7.1%	Declined
5 Priority	% of accidental dwelling fires confined to room of origin	94.5%	This is an ESFRS indicator only, no National data is available for comparison	91.0%	91.0%	Declined

EXCEPTIONS REPORT – QUARTER 1 2017/18

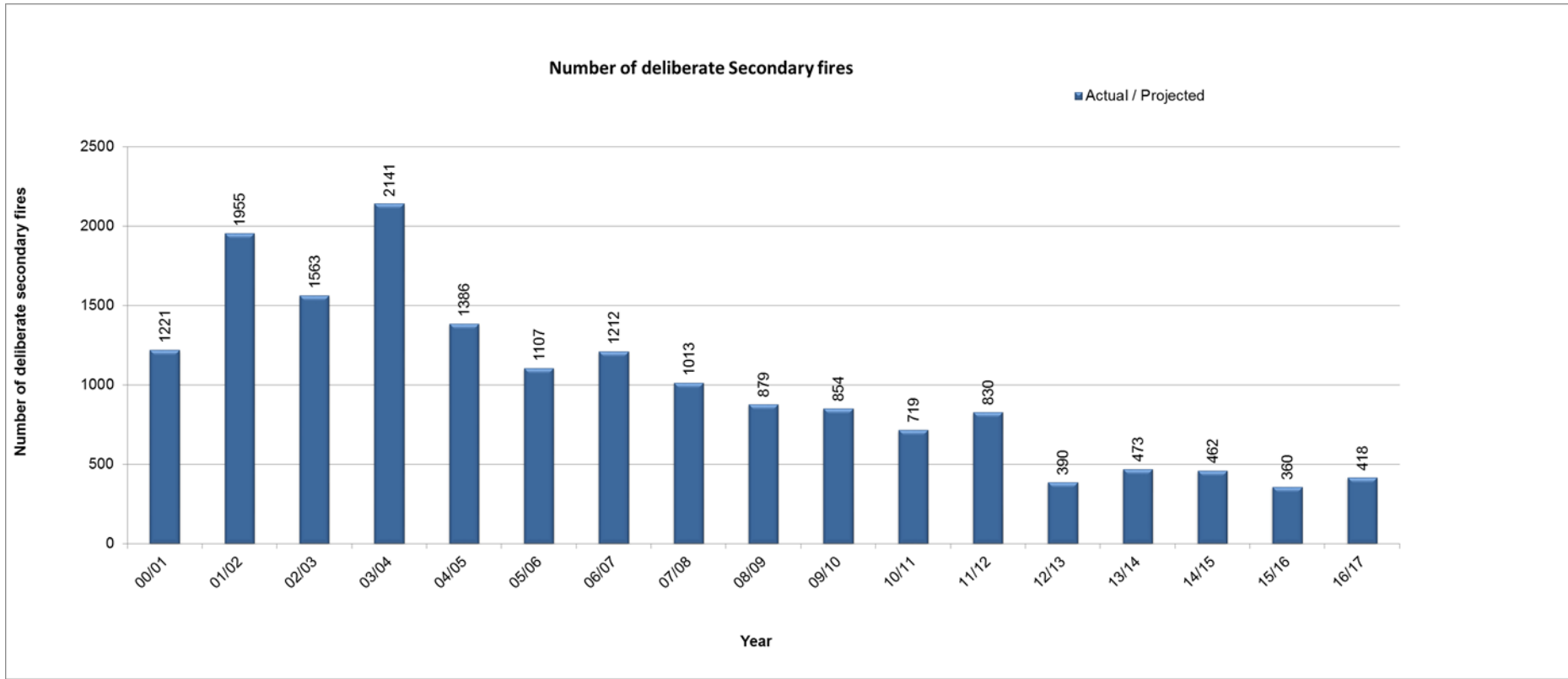
Indicator	Commentary	Actions to be taken
6. Total number of incidents attended	In Q1 2017/18 ESFRS attended 2,527 incidents, this is 338 (15%) more than in the same period in 2016/17. The main areas of increase are: FAGIs by 68, deliberate secondary fires by 80, false alarms due to apparatus by 47 and primary fires by 44.	<p>We have experienced an increase of 68 false alarm good intent calls (a false alarm good intent (FAGI) is a call made by a member of the public who believed that there was a fire, but on arrival this was not the case) in comparisons to the same period last year. Analysis shows that 95 FAGIs were received in the 16 days after the Grenfell Tower fire, giving a daily average of 5.9 against an average of 3.8 for the previous 10 weeks of the quarter. In the immediate week following the Grenfell Tower fire the daily average for these types of calls was 7.4. The increase can be attributed to this fire.</p> <p>See 9 and 10 below for more detail on Primary fires and secondary deliberate fires.</p> <p>Assistant Director Safer Communities</p>
8. Number of injuries in primary fires	In Q1 2017/18 there were 13 injuries, this is 5 more than in Q1 2016/17.	<p>Of the 13 injuries 10 were in accidental dwelling fires and of these six were caused by fires that started in the kitchen. This is currently one of our main priority areas and is being supported across the Service.</p> <p>An accidental dwelling fire review has been undertaken and an action plan has been devised to target the practices and those most at risk from fire and death/injury from fire and is a Safer Community priority. Community Fire Safety and Business Fire Safety strategies are now being reviewed to ensure a risk based approach is taken, resulting in an annual assessment of risk by geographical area, which will attract resource and appropriate initiatives that are tailored to this risk.</p> <p>Assistant Director Safer Communities</p>

Indicator	Commentary	Actions to be taken
1. Number of accidental dwelling fires	In Q1 2017/18 there were 134 accidental dwelling fires, this is 24 more than in Q1 2016/17, a 21.8% increase	<p>Accidental dwelling fires are one of six priority areas that are being focussed on at the moment within the Safer Communities team.</p> <p>An accidental dwelling fire action plan has been instigated and, as a result, the Communications team has produced packs for use at Station open days and community events highlighting the dangers of kitchen fires and how to avoid them.</p> <p>Assistant Director Safer Communities</p>
9. Number of primary fires	In Q1 2017/18 there were 315 primary fires, this is 44 more than in the same period in 2016/17 when there were 271, a 16.2% increase.	<p>The primary fires are spread fairly equally across the three month period. There are no trends emerging at this stage, but this will be monitored through the Safer Communities performance meetings.</p> <p>To put this into context July has reported 32 less primary fires than the previous year, which shows the Service to be 12 fires over by the end of July as opposed to the 44 at the end Q1.</p> <p>Assistant Director Safer Communities</p>
10. The number of deliberate fires	In Q1 2017/18 there were 267 deliberate fires, this is 90 more than in the same period in 2016/17, and this is an increase of 50.8%.	<p>80 of these relate to an increase in deliberate secondary fires and there was a definite spike in these in April when the highest numbers in previous three year period were recorded. This has been discussed at Borough Command meetings and with higher numbers being reported in Hastings (52 in Quarter 1) and Wealden (20, of which 16 were in April) most of these fires were in scrub land / tree scrub / hedges and road side vegetation. These areas are being monitored and the Borough Commanders have been given additional information including maps of incident locations with dates and times to see if there are any patterns. None have been identified to date.</p> <p>Please note the graph at the end of this report to see the annual levels of deliberate secondary fires since 2001/02. The recent low numbers also follow the trends of wetter summers, but numbers have increased slightly this year as the weather has been drier. However with a projected year end result of around 650, as over 60% of deliberate secondary fires happen over the summer months, we are still showing a 23% decrease on the 2011/12 result and a reduction of over 70% on the high of 2003/04.</p>

		<p>There is a daily incident log that is reviewed by Borough Commanders who then decide on collaborative action with Sussex Police through the Joint Action Groups (JAGs) for positioning of mobile cameras and increased / targeted patrols.</p> <p>The education team have an ongoing programme which sees in the region of 20,000 children in schools and 4,200 in Safety in Action each year and arson is a key topic in these sessions. The Hazard House at Hove Fire Station also provides a backdrop to discuss the consequences and impact of arson.</p> <p>There is also some verification work ongoing to ensure that these fires have been correctly recorded as deliberate.</p> <p>Assistant Director Safer Communities</p>
<p>15. The number of safe and well visits conducted</p>	<p>In Q1 2017/18, 126 safe and well visits were conducted for members of our community, this is a reduction of 87 against the same period in 2016/17, when 213 were provided, this is a reduction of 40.8%</p>	<p>The role of Safe & Well practitioners changed at the start of Q1 to encompass collaborative working with GP practices visiting patients referred by them. This required setting up of admin processes and training which, coupled with a period of sickness by one of the 2 staff members, resulted in the number of Safe & Well visits delivered in Q1.</p> <p>As Safe & Well visits form part of the overall home safety visit target it should be noted that at the end of July the Service was over target for the number of home safety visits delivered to our community and is showing a projected year end result of over 10,100. So the overall picture is an improving one.</p> <p>Assistant Director Safer Communities</p>

Indicator	Commentary	Actions to be taken
18. Number of RIDDOR incidents	In Q1 2017/18 there were 3 RIDDOR reported incidents, in Q1 2016/17 there were 2.	<p>Q1 in 2016/17 had 2 RIDDOR reports and so this is in-keeping with previous performance. Historically, the majority of RIDDOR notifications to HSE are for incapacitation over 7 days and Q1 is no exception to this. The 3 RIDDOR submissions were for musculo-skeletal injuries as a result of manual handling and all injuries were sustained on the fire ground. In order to address this the HSW Team are working with colleagues to identify specific equipment to reduce the likelihood of manual handling injuries and the Service Fitness Adviser is following up with the injured persons to offer support with rehabilitation and return to full fitness.</p> <p>Health and Safety Team Leader</p>
19. Number of workplace reported accidents /injuries	In Q1 2017/18 there were 51 workplace reported accidents and injuries, in Q1 2016/17 40 were reported, this is an increase of 27.5%	<p>In the same quarter in 2016/17 there were 40 safety events reported and so there is a 27.5% increase in accidents this year. Looking back at the overall figures for the last three years, the Service is averaging a figure of 230 safety events per annum and this Q1 figure, taken as an average, would result in a lower annual figure (projected to be 204), if quarters 2-4 remain this low. Interestingly, the quarterly statistics over the last three years consistently show Q1 as reporting the lowest number of safety events across the year.</p> <p>The number of workplace reported accidents/injuries includes 'near hits' which are events that have the potential to have caused harm, damage or loss but did not on this occasion.</p> <p>Of the 51 reported in Q1 a further breakdown of the more common places that accidents/injuries take place and the main types of accidents /injuries sustained are as follows:</p> <ul style="list-style-type: none"> • 17 happened in the workplace in the appliance bays / offices etc. eight of these were near hits with no injury and five were vehicle accidents. • A further eight took place at fire incidents, two of these were 'near hits' and five were strains/sprains and slips. • Seven took place in the drill yard/training area, four of these were equipment failures and there were six accidents whilst travelling in service vehicles.

		<p>Each safety event report that is received is allocated to and processed by a member of the Health, Safety & Wellbeing Team to ensure that an appropriate level of investigation is undertaken and that outcomes and recommendations are recorded and implemented. The information is recorded and tracked through the Workplace Safety Representatives Committee to ensure that the actions taken following an incident are satisfactorily concluded, that appropriate lessons are learned and changes to working practices are enshrined in policy and procedure.</p> <p>Health and Safety Team Leader</p>
<p>21. The percentage of automatic fire alarm (AFA) calls challenged by SCC</p>	<p>In Q1 2017/18, 7.1% of AFA calls were challenged by SCC, and as a result no appliances were sent to these incidents, in Q1 2016/17 SCC challenged 10.1% of AFA calls.</p>	<p>It is felt that this reduction in AFA call challenge could in part be a result of the large number of new / fixed term contract staff.</p> <p>It is also perceived that the AFA callers are now wise to the call challenge process and are bypassing this to ensure an attendance.</p> <p>Both of these issues will be monitored in the next quarter.</p> <p>Head of Sussex Control Centre</p>



EAST SUSSEX FIRE AUTHORITY

Panel: Scrutiny & Audit
Date: 14 September 2017
Title of Report: 2017/18 1st Quarter Corporate Projects Progress Report
By: Mark O'Brien, Assistant Chief Fire Officer
Lead Officer: Liz Ridley, Assistant Director, Performance & Improvement

Background Papers: None

Appendices: A – ESFRS Corporate Projects Progress Report.

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To set out the progress made in the first quarter 2017/18 in relation to the Fire Authority's corporate projects and to seek the Panel's views on which key projects it would like to receive more detailed briefings on at a future meeting.

EXECUTIVE SUMMARY **Sussex Control Centre (SCC)** - Please note that dates have been re-baselined following a project review and restructure. Telent will be taking over management of the project and a specialist technical project manager has been appointed. Lin West completed her time as Project Consultant and has moved on to a new contract outside the service.

Information Management Department (IMD) Transformation – Detailed learnings have been collected. The project has not yet closed as there are still some milestones to be achieved by telent by the end of August.

Service HQ (SHQ) Relocation – Is entering close down phase, learnings are being collected and will be formally closed at the next board meeting.

Bridging the Savings Gap – the project is being actively monitored by programme owner to ensure financial savings are captured.

Emergency Services Mobile Communication Programme (ESMCP) - detailed planning under way but there is an urgent need for information from the national programme. New Regional Co-ordinator and administration support have been appointed.

Respiratory Protective Equipment (RPE) – Progressing well; short delay on radio procurement while a Risktech risk assessment report is being received.

Firewatch – needs to integrate to new mobilising system.

Procurement Cards – Issues related to the Service's financial system SAP should be resolved in the near future, allowing eventual service-wide rollout.

Note re IRMP

The IRMP work areas consist of some items that will become projects, and some that will be reviews. The “Operational Demand Management Review” is progressing, led by Group Manager, John Owen.

RECOMMENDATION

The Panel is recommended to:

- i. note the progress made in the first quarter 2017/18 in relation to the Fire Authority's corporate projects, and;
- ii. identify which of the projects it would like to receive more detailed briefings on at a future meeting.



SCC Implementation Project SRO: ACFO(T) Mark O'Brien		The Sussex Control Centre (SCC) will provide a high quality, high performing, operationally resilient and cost effective incident management hub for both East Sussex Fire and Rescue and West Sussex Fire and Rescue. The Sussex Control Centre will fulfil the statutory obligation to provide a Fire and Rescue Service to the public in Sussex and reduce the cost of providing the service.						
Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	4i System Design Freeze and Factory Acceptance Testing (FAT) scope agreed	100%	13/10/2016	13/10/2016	0	Complete	Lin West	This milestone provides clarity around the go live design that will be tested and signed off at successful FAT as ready for go live. There will be no preplanned further development before go live. .
2	4i System development to meet design freeze requirements	100%	25/11/2016	16/12/2016	-21	Complete	Lin West	Areas of non-critical development that were not met in the timeframe have been moved to post go live development. (See note 1- below in Summary)
3	Pre Factory Acceptance Test Assurance Visits	100%	18/01/2017	13/01/2017	5	Complete	Lin West	Both technical and business pre FAT assurance visits will take place to minimise risk and identify issues relating to successful FAT milestone completion.
4	Factory Acceptance Testing (FAT) Exit	100%	10/02/2017	10/02/2017	0	Complete	Lin West	The 4i system that is accepted here is suitable for SCC service delivery at go live.
5	Site installation and commissioning (at both Haywards Heath (SCC) and Maresfield (Secondary Control)	100%	03/03/2017	07/07/2017	-126	Complete	Lin West	Slippage of supplied divergent network connectivity has caused delay to commissioning testing.
6	Site Acceptance Testing (SAT)	0%	17/03/2017	18/08/2017	-133	Rescheduled	Lin West	SAT Plan being compiled. Forward progress being maintained with supplier focussing on start date
7	MDT rollout	0%	21/06/2017	29/11/2017	-161	Rescheduled	Andy Carr	A 6 week window for implementation prior to go live. ESFRS MDT training coordinator and 2 x SM resources to assist. MDT rollout sourced from Telent for build and installation.
8	Training (end user)	0%	10/05/2017	23/06/2017	-44	Extended	Emma Huntly	Due to crewing and resourcing issues the training window was extended by one week with a 3 week hiatus for refit of the Maresfield control room.
9	User Acceptance Testing (UAT)	0%	26/05/2017	25/10/2017	-152	Rescheduled	Lin West	Rescheduled to meet new delivery dates
10	SCC evacuation	0%	20/06/2017	01/11/2017	-134	rescheduled	Lin West	Rescheduled to meet new delivery dates
11	Go Live	0%	21/06/2017	29/11/17	-161	Rescheduled	Lin West	This will incorporate a phased approach, with each service transitioning independently to minimise risk.
	Project Manager's Progress Summary	Project delays led to a rebaseline of the project plan as 21 st June go live unachievable. The rebaseline exercise was undertaken in May/June 2017 A CCN will be required for the new go live date and this includes a new agreement on phased payments Technical Project Manager has been appointed to undertake final implementation. Post go live development roadmap from supplier remains outstanding although it is agreed that this will be provided and finalised during September The SCC project 4i system remains deliverable.						

IMD Transformation Project

SRO: Duncan Savage
AD Resources / Treasurer

Transform IMD services to make them more suitable for the changing needs of the organisation. Transition management of those services to a third party. With certainty of best value, select the right suppliers to perform the Transformation and manage the services.

Business benefits - cost reduction by:

Modernising (e.g. virtualised computing) • Pooling (taking part of a larger service to get economies of scale) • Changing working practices (lower staff costs) • Cost avoidance (less risk exposure) • Lower complexity (less management effort) • Software contracts rationalisation) • External support contracts rationalisation

Business benefits - other benefits:

Improved security model • Improved resilience • Improved mobility • More joined up organisation) • Lower operational risk (no out of support services) Less technical management required • Streamlined supplier management

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Contract Award	100%	29/03/2016	08/08/2016	-132	Complete	PG	Original projected dates up to contract award were re base lined (as agreed at Programme Board 08-09-15) and further moved forward due to extended periods for; PQQ evaluation, competitive dialogue, due diligence and contract refinement.
2	Milestone 0 & 1 – Transition / Adopt	100%	18/11/2016	27/03/2017	-129	Completed Behind Schedule	PG	<p>The Transition, with a subset of the deliverables (forming the 'go / no go' criteria) from MS0 and MS1, has seen the effective transfer of service delivery ownership from ESFRS to telent as of 18th November.</p> <p>Transition completed successfully and no significant issues have been reported within the first 4 months of telent service operation.</p> <p>Milestone deliverables associated with Milestone 0 and Milestone 1 completed.</p> <p>Changes to the contractual delay payment structure agreed and associated Contract Change Note signed-off. Thus enabling telent to achieve sign-off of MS0&1.</p> <p>£100k deferred to MS2 and 3 – additional deliverables deferred / added to MS4.</p>
3	Milestone 2 & 3 - Transformation: Email, Directory Services & Flexicloud	85%	27/03/2017	14/07/2017	-109	Behind Schedule	DD (PG)	<p>The delivery of new email and directory services has been largely completed.</p> <p>For the most part the main obstacle to completing MS2/3 relates to concluding testing activity as well as agreeing the contents of CCN4 that will address what will be delivered in a new milestone, MS5, that will include in the main operational service wrapper activity that had not been included in original MS2/3 plan though telent accept it should be delivered to ensure effective managed service.</p> <p>In addition the Security Mgt Plan steps agreed out of MS0 were not concluded as expected within MS2/3 and again agreement has been reached subject to CCN to defer this until MS5.</p>
4	Milestone 4 - Transformation: Migration of Applications	80%	18/05/2017	15/07/2017	-58	Behind Schedule	DD (PG)	A significant proportion of the delivery relating to MS4 has been complete, though there remains a number of challenges to decouple the new environments from the legacy directory management services from Novell.

								<p>This together with delays to the file server migration has resulted in an overshoot of the planned delivery.</p> <p>For the most part this is constraining the conclusion of the HQ sale, however telent are expressing confidence in relation to concluding the infrastructure move over weekend 30/6 which will enable the release of the old HQ shortly thereafter – close communication continues with the relocation project.</p>
5	Milestone 5 – Transformation: Completion of Outstanding Deliverables (as per detail agreed with telent)	20%	31/08/2017	31/08/2017	0	On Schedule	DD (PG)	<p>This milestone will result from agreement of CCN4 and recognises the need to follow through with operational management processes and procedures relating to some of the newly commissioned infrastructure solutions to ensure the Service secures the full benefit of these solutions and that the related services are appropriately managed.</p> <p>In addition the expected progress against security management activity has not been realised with agreement in principle reached that this too could be deferred to the new milestone. The retained value from other milestones to associate with this milestone has not been agreed but is expected to be circa £100k</p>
	Project Manager's Progress Summary	<p>Milestones 0 and 1: Completed and signed-off.</p> <p>Milestones 2 and 3: Experienced further delay though nearing completion – Revised expected signed-off date mid-July.</p> <p>Milestone 4: Experienced further delay due to technical challenges and need to introduce increased telent technical capability to support.... Revised completion date expected of 15th July 2017.</p> <p>Milestone 5: New Milestone created. Represents the agreed deferred deliverables from MS2/3 & 4.</p> <p>Whilst the Service retain the opportunity to apply delay payments in respect of the delays experienced in MS2/3 & 4 negotiations have yet to commence with telent. As with MS0/1 this is not likely to commence until the delivery of MS2/3 & 4 has been agreed.</p> <p>Lessons Learned workshop held with Acuity-Spirit and ESFRS project team participation. Workshop report pending. Project closedown report differed due to rescheduling of deliverables completion and creation of Milestone 5.</p>						

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Decide data centre and location arrangements	100%	01/03/2016	20/05/2016	-80	Behind Schedule	JS/EA	Complete
2	Disposal strategy for HQ	95%	01/11/2015	10/07/2017	-617	Behind Schedule	JS	Delayed due to furniture disposal and due to DC project deliverable delay
3	Decision on hub sites	100%	21/11/2016	20/01/2017	-60	Complete	JS	Complete
4	Agree Heads of Terms with Sussex Police for the New HQ arrangements	100%	31/03/2016	04/11/2016	-218	Complete	JS	Complete
5	HR Structure published	100%	TBA	31/01/2016		Complete	VC	Complete
6	Formal consultation with staff complete	100%	21/09/2016	15/12/2016	-85	Complete	VC	Complete
7	Sign-off of HQ layouts and staff locations	100%	31/10/2016	18/11/2016	-18	Complete	JS	Complete
8	Refurbishment works to dispersal sites	100%	24/03/2017	19/05/2017	-56	Complete	JS	Complete (19 May – Lewes FS refurbishment complete)
9	IMD Service / Infrastructure orders placed	100%	31/10/2016	31/10/2016	0	Complete	EA	Complete
10	Moves to dispersal sites	98%	03/04/2017	10/07/2017	-98	Behind Schedule	JS/EA	Telent move date delayed due to DC project deliverable delay. [Telent support desk and workshop relocated to Lewes FS]
11	Move to New Lewes HQ	100%	27/03/2017	07/04/2017	-11	Complete	JS/EA	Complete
	Project Manager's Progress Summary:	<p>Move to Lewes HQ complete as per moved plan. Systems up and running on day 1 including IT, relocation travel plan including parking, access, premise, facilities and bookings, etc. Memorial trees and rocks relocated from Lewes HQ successfully. Tenancy at will agreed and signed for occupation of Lewes HQ. Terms of full lease at LHQ agreed and awaiting Land Registry action prior to full sign off – no projected completion date from Land Registry.</p> <p>Move to Eastbourne FS complete 26/04/17 due to over-running on –site works. Systems up and running on day 1. We are in the process of working with the police to align our approaches in various contexts. Appointed a contractor PM to support the project. Equality Impact Assessment reviewed and action plan created, agreed and being actioned. Telent support desk and workshop relocated to Lewes FS</p> <p>Vacating Eastbourne HQ:</p> <ul style="list-style-type: none"> - Furniture and equipment identified as needed across the organisation has relocated - Saleable printing/publishing equipment sold and removed - Furniture sale agreed, removal commenced - on track to be completed by 30th June - Unsold furniture clearance agreed, removal commenced - on track to be completed by 30th June - Awaiting closure (02/07/17) and decommissioning (w/c 03/07/17) of Data Centre by telent prior to issuing notice to complete to purchaser 						

Emergency Services Mobile Communications Project (ESMCP)
SRO: Richard Fowler
AD Operational Support and Resilience (T)

This is a national project to replace the outdated Airwave radio system. It involves all emergency services across the whole county. The project is being led by central government and implemented on a regional basis. ESFRS are therefore working with West Sussex, Surrey and Kent Fire and Rescue Services on the joint project. The project will deliver a secure communications network utilising the EE 4G commercial network to deliver voice and data.

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Regional coordinator appointed	100%				Complete	CFO	Justine Parkinson appointed Regional Co-ordinator for SE Region.
2	Project Office set up	66%				In progress	RF	Governance signed off. Execution plans and local timelines are in final stages of development prior to sign off and publishing. RAID log in operation and reviewed at Regional and Local board level, we have sought to broadly align the WSFRS and ESFRS RAID log. PID is under review, need to define ToR and deliverables.
3	New equipment for vehicles and officers to be identified and ordered.	0%	31/09/2019	31/09/2019	0	Not started	RF	Vehicle solution is in final design stage, awaiting user group workshop to ensure suitability.
4	Vehicles fitted with equipment	10%	15/09/2018	15/09/2019	-365	In progress	RF	Planning based on broad assumptions 75% complete to inform dependent work streams within service
5	Equipment issued to staff (officers)	0%	15/06/2018	15/09/2018	-92	Not started	RF	Awaiting devices specification release from manufacturers. Expected Autumn 2017
6	Emergency Services Network connection to control room.	20%	15/01/2017	15/12/2018	-699	In progress	DD	The order form completed and in process. Funding received for installation and 2 year rental.
7	Equipment for SCC (connection to Frequentis ICCS) ordered and ready.	45%	15/01/2017	15/06/2017	-151	In progress	DD	ITG are developing a comprehensive business case to support the procurement of the ICCS, reviewing all suppliers, in collaboration with Remsdaq to ensure solution best fit. Original solution provider Frequentis may not meet SE Region timelines for installation. Milestone delayed due to on running dependent project.
8	Maintenance and support systems in place	5%	15/06/2017	15/09/2018	-457	In progress	DD	Initial conversations held with Telent, need to define deliverables for the Self Service Portal (SSP).
9	Redundant equipment removed and disposed of	10%	15/06/2018	15/09/2019	-457	In progress	DD	Initial conversations held with Telent, need to define deliverables for the secure removal of Airwave devices. ESMCP have not published security requirement for redundant equipment.
10	New communications system installed and in use	10%	15/01/2017	15/09/2019	-973	In progress	RF	Re base lining of the National Plan is expected in July 2017.
	Project Manager's Progress Summary		<ul style="list-style-type: none"> Execution plans are being defined by project manager against a projected transition date of 01 March 2019 based on original National timeline V8. This is to enable dependant services to consider projected workloads and pinch points. ESFRS are ahead of schedule, ITHC now complete and Telent have been commissioned to provide scoping works schedule for remediation. 					<p>Project Co-ordinator's note:</p> <p>Finish date variances are due to programme rescheduling at national level. Therefore, we are likely to reset these milestone dates to reflect changes made to our schedule.</p>

		<ul style="list-style-type: none">• Grant funding received from ESMCP, initial ESFRS funding assigned to ICCS upgrade, DNSP connection, ITHC and remediation costs. Regional Coordinator working with finance to develop governance for the distribution of the regional funds received.• Programme enrolment documentation is with Procurement for review, currently it is felt there is a lack of detail and information for confident sign off.• Remsdaq are in negotiation with Frequentis for the provision of the 3.4 LifeX ICCS solution, a ROM to be delivered to ESFRS by end July 2017 for consideration and submission of 2nd phase of control room grant funding documentation.• User group workshops completed to define user requirements and aspirations. Project Board is required to make key decision on device type by role, functionality by role, vehicle installation requirements and options.• Specialist IT advisors considering ICCS upgrade, interworking solution and DNSP connection, which will require key decisions by Service. Like for like funding principle being applied by home office as detailed in governance document. Enrolment process underway, funding for year 2 being announced imminently.	
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Replacement Respiratory Protective Equipment (RPE) and Radios

SRO: Richard Fowler
Assistant Director- Operational Support and Resilience (T)

The main reason for replacement RPE is that the current equipment we have has reached end of life. The current set is now no longer supported by the manufacturer and is out of production. This project will deliver new technology that allows us to monitor our fire-fighters more closely. The clear benefits are the increase in safety very much based on the national risk assessment that indicates that it is safer to utilise telemetry.

The business benefits support the Service's dedication to fire-fighter safety in monitoring individual users during an incident. This is the same set that is used by bordering services so there are clear operational benefits. We will be able to use the cylinders we already have, saving over £200,000.

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Research complete	100%	30/04/2017	15/08/2017	-107	Complete	BB/FW	Research completed for BA sets and telemetry. Initial radio trials and ancillary trials completed. Final manufacturer's trials not completed as awaiting Risktech report.
2	Pilots complete	100%	15/06/2017	15/08/2017	-61	Complete	BB/FW	RPE finalised. Radio project on-going due to decision to outsource risk assessment to Risktech
3	Contract for radios awarded	0%	15/08/2017	15/10/2017	-61	Delayed	BB/FW	Radio project on-going due to decision to outsource risk assessment to Risktech
4	Contract for RPE awarded	100%	15/02/2017	15/02/2017	0	Completed	BB/FW	Contract awarded to Drager,
5	Radios delivered	0%	15/10/2017	15/10/2017	0	On Schedule	BB/FW	
6	RPE delivered	100%	01/09/2017	01/09/2017	0	Complete	BB/FW	All equipment has now been delivered.
7	Radio training complete	0%	23/12/2017	23/12/2017	0	Not started yet	BB/FW	Radio project on-going due to decision to outsource risk assessment to Risktech
8	RPE training complete	50%	15/07/2017	15/07/2017	0	On Schedule	BB/FW	RPE training manager in role. Phase A complete and Phase B about to commence.
9	All policies, risk assessments etc. done	70%	15/09/2017	15/09/2017	0	Delayed	BB/FW	Equality Impact Assessment and Privacy Impact Assessment complete. Equipment Risk Assessment completed and signed off Breathing Apparatus and Telemetry equipment manual note out for consultation. Ops manual note consultation complete awaiting sign off
	Project Manager's Progress Summary:	<p>ESFRS has taken receipt of all of the equipment, this has enabled the training delivery team to commence and complete their first two phases of training. ESFRS undertook trials and testing with OFCOM to supply facts on the use of Atex radios. This documented information was presented to the RPE project Board as a business case and suggested 'way forward'. A decision was taken by the RPE Project board to consider the use of RISKTEC to provide a risk based assessment on the decision to purchase and use ATEX / Non Atex fire ground radios. WSFRS have expressed an interest In joint procurement of fire ground radios.</p> <ul style="list-style-type: none"> Engineers, Instructors and phase A and B (Equipment theory) is completed. Phases C and D is pending and awaiting manual note to be signed off) Fleet conversion contract awarded to John Dennis Coach builders and is 90% complete. Estates work is 70% completed, with STC being the last venue to be brought to standard. Work commencement date was 17th July 2017 Successful trials have been conducted on BA ancillary equipment and fire ground radios in partnership with OFCOM. 						

- Cross border Services / agencies have been informed of the Project. A Memorandum of understanding between East and West is being worked on.

Bridging the Savings Gap

SRO: Richard Fowler

AD Operational Support and Resilience (T)

The intention is that on 01/06/2017 training drops to 2 days. Water training goes to 3 years from 2 years. Other changes on track for delivery by April 2018. Project board will meet again at year end to review progress.

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Set up working groups (D1, D2)	100%	01/11/2015	01/11/2015	0	Complete	HSY NC	Delivered
2	Retirement Profile mapped against Stations (D3)	100%	01/11/2015	01/11/2015	0	Complete	LB	Delivered
3	Revise policies and associated EIAs(D4)	100%	30/04/2016	30/04/2016	0	Complete	NC, KR	Delivered
4	Develop revised training strategy (D1 and D9)	40%	01/01/2017	01/01/2017	0	Behind schedule	HSY	Currently, reduction in standard crewing is not causing problems in extraction for training. However, the extension of standard crewing across the Service may impact training extraction. From 1 Jan 2017 changes will begin to be implemented to deliver training flexibility, as required by reduced numbers on stations.
5	Establishment Reduction Management Plan (station by station not yet available) (D10)	100%	30/06/2016	30/06/2016	0	Complete	RL	Establishment Reduction Management Plan has been done.
6	Xmas Shopping Day letters / remove from Firewatch (D13)	100%	01/11/2015	01/11/2015	0	Complete	LB	Delivered
7	CMT paper re Day Crewed Manual Note (D14)	100%	30/06/2016	30/06/2016	0	Complete	KR	Delivered
8	Amendments to PDAs, eg for lifts, Specials	100%	30/06/2016	30/06/2016	0	Complete	KR, NC	Delivered
9	Amendments to Core Stations Policy (D17)	100%	30/06/2016	30/06/2016	0	Complete	KR, NC	Delivered
10	Amendments to Crewing Policy (D18)	100%	30/06/2016	30/06/2016	0	Complete	KR, NC	Delivered
11	Amendments to Combined Crewing Policy (D19)	100%	30/06/2016	30/06/2016	0	Complete	KR, NC	Delivered
12	Amendments to Leave Policy (D21)		30/06/2016		0		KR, NC	

13	Amendments to Recall to Duty Policy (D22)		30/06/2016		0		KR, NC	
14	Amendments to Career Break Policy (D23)	100%	30/06/2016	30/06/2016	0	Complete	KR, NC	Delivered
15	Communications Plan (D24)	100%	29/02/2016	29/02/2016	0	Complete	EC	EC briefed after meetings; CMT briefed on deliverables
16	Performance management metrics 1) Overtime	50%	31/07/2016	30/06/2017	-334	Behind Schedule	MOB, SM	Progressing
17	Performance management metrics Appliance availability	100%	31/07/2016	31/07/2016	0	Complete	MOB, SM	Delivered
18	Resilience crewing (D26)	100%	30/06/2016	30/06/2016	0	Complete	MOB	Delivered
19	Privacy Impact Assessment (D5)	100%	30/04/2016	30/04/2017	0	Complete	NC, DL	Complete as needed
20	Travel Plan		30/06/2016		0	Complete		
	Project Manager's Progress Summary:	Key policy changes, required to support changes in crewing levels, now all delivered. Changes to training strategy to reduce requirement for extraction from stations, being further developed with initial changes taking place in January 2017. Overall establishment reduction plan now in line with savings schedule agreed by Fire Authority.						

P-Cards
SRO: Duncan Savage, AD Resources /
Treasurer

This project will introduce procurement cards to streamline purchasing processes. It will involve training staff, and developing new policies and guidance. We will also need to implement monitoring systems for the spending.

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Business Process Re-engineering (Lean Review)	100%	17/06/2015	31/07/2015	-44	Complete	CG	Lean review completed and action plan drawn up.
2	Option appraise & identify optimum P/Card scheme	100%	24/11/2016	24/11/2016	0	Complete	CG	Existing scheme offers the optimum solution, there are significant integration implications should we opt to switch suppliers.
3	Identify areas/departments which might benefit from P/Cards	100%	04/11/2016	04/11/2016	0	Complete	CG	
4	New training programmes (may include suppliers)	80%	25/01/2017	25/01/2017	0	In progress	CG	Training defined, once we have clear timeline for rollout, L&OD will formulate JIs and monitor refreshment training
5	Refresh policies, guidance & establish protocols for monitoring spend	100%	25/01/2017	25/01/2017	0	Complete	CG	
6	Phased implementation, Service-wide	0%	16/03/2017	16/03/2017	0	See note	CG	<p>ESFRS & ESCC have met to resolve communication issues between SAP & SDOL. The fields are replicated, the next step is to re-establish the Biztalk connection and test if this revised format will successfully load into SAP.</p> <p>ESCC Application Development are reviewing the effort required to reinstate the Biztalk connection and will advise a timeline to deliver asap.</p> <p>Update from Brian Smith- Head of Operations Orbis- 05/06/17- Orbis remain on target to deliver the development required for SDOL by the beginning of July, followed by a period of testing by ESFRS Procurement & Finance. Estimated go live is the end of July and the cost to deliver this is forecasted at between £2.5k-£3k, payable upon successful implementation.</p>

Firewatch
SRO: DCFO(T) Mark Andrews

FireWatch was purchased to meet the demand for an integrated, co-ordinated approach to managing people and resources, to 'join up' disparate department information/data systems, eliminate 'silo' working practices, reduce risk and increase efficiency. FireWatch is the Integrated Management System for ESFRS HR, Learning & Development and Operational Availability.

Next steps are to integrate FireWatch with the new combined East and West Sussex mobilisation system via a consolidated view of both Services to automatically feed operational resource availability and remove the need for SCC manual input. Incident information to automatically feed back into FireWatch to enable RDS Pay.

Milestones		% complete	Original estimated finish date	Current estimated finish date	Finish date variance	Status	Manager	Comment on Milestone
1	Core HR	100%	30/11/2013	30/11/2013	0	Complete	JM	All complete except RDS Pay (reliant on RDS Availability and new Mobs system integration). In the meantime, RDS pay will continue to be delivered via MIS and Data Warehouse.
2	IPDS	95%	30/11/2013	01/07/2017	-1218	Behind Schedule	JM	Training Courses and Qualifications complete. Maintenance of Competence complete for Wholetime. FireWatch ready for RDS roll out, however go live has been delayed by Workforce Development while further work is done on the 2 Year Training Plan and training packages.
3	Crewing / Availability / Timesheets	95%	30/11/2013	30/09/2017	-1400	Behind Schedule	JM	Wholetime and Control Crewing complete. Officers Rota complete. Training Centre Instructor timesheets complete. RDS Availability complete. Support Staff timesheets WIP, behind due to lack of HR resource and HQ relocation.
	Project Manager's Progress Summary	<p>Firewatch Board is reviewing current resource allocation to the project to ensure remaining modules are delivered in time frames consistent with expected integration with the 4i Mobilising system. Officers are also reviewing the current portfolio of Firewatch reports in order to include any new developments available from the supplier. The core Human Resource module is fully functional with the training and crewing modules ready for final completion. Next steps are to progress the mobilising module to support the SCC project and develop the next upgrade of Firewatch to version 7.6.</p>						

EAST SUSSEX FIRE AUTHORITY

Meeting: Scrutiny & Audit Panel

Date: 14 September 2017

Title of Report: 2017/18 1st Quarter Health, Safety & Well-being performance report

By: Mark O'Brien, Interim Assistant Chief Fire Officer

Lead Officer: Hannah Scott-Youldon, Assistant Director - Training & Assurance

Lead Member: Cllr Stuart Earl

Appendices Appendix A – Full breakdown of statistics

Background Papers Health, Safety & Wellbeing Strategy (2017-2020)

CORPORATE RISK	✓	LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY	✓	OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To present the quarter 1 health & safety statistics.

EXECUTIVE SUMMARY This report provides the Scrutiny and Audit Panel with a summary of health and safety statistics for quarter 1 2017/18, whilst providing some narrative around the statistics.

RECOMMENDATION **The Scrutiny and Audit Panel is asked to:**

- i. **Consider the quarter 1 health and safety statistics for 2017/18 as set out in the report.**
- ii. **Continue to monitor and scrutinise performance over the year.**

1. **INTRODUCTION**

- 1.1 This report contains quarter 1 results, compared with 2016/17 of ESFRS performance against the Health & Safety lagging indicators.

2. **MAIN ISSUES**

- 2.1 A full breakdown of the quarter 1 statistics can be found in Appendix a.

2.2 **Indicator No. 1 - The number of safety events received**

There were 48 safety events raised in quarter 1. In the same quarter in 2016/17 there were 40 safety events reported and so there is a 20% increase in accidents this year. Looking back at the overall figures for the last three years, the Service is averaging a figure of 230 safety events per annum and this Q1 figure, taken as an average, would result in a lower annual figure, if quarters 2-4 remain this low. Interestingly, the quarterly statistics over the last three years consistently show Q1 as reporting the lowest number of safety events across the year.

2.3 **Indicator No. 2 – The number of RIDDOR incidents**

3 RIDDOR incidents were reported in quarter 1 of 2017/18. Q1 in 2016/17 had 2 RIDDOR reports and so this is in-keeping with previous performance. Historically, the majority of RIDDOR notifications to HSE are for incapacitation over 7 days and Q1 is no exception to this. The 3 RIDDOR submissions were for musculo-skeletal injuries as a result of manual handling and all injuries were sustained on the fire ground. In order to address this the HSW Team are working with colleagues to identify specific equipment to reduce the likelihood of manual handling injuries and the Service Fitness Adviser is following up with the individuals to offer support with rehabilitation and return to full fitness.

- 2.4 New equipment is now being rolled out to all stations to assist with manual handling dealing with incidents involving plus-sized casualties. This should further support a decrease in manual handling injuries.

2.5 **Indicator No. 3 – The number of manual handling incidents**

There were fewer manual handling injuries reported in Q1 with 5 recorded as compared with 6 last year. In addition to the 3 RIDDOR manual handling injuries reported above, the other 2 were caused by use of equipment (pulling starter cord on cutting gear whilst at a road traffic collision and using an enforcer to gain entry to a property). The Service Fitness Adviser is following up with these individuals to ensure that they are employing the correct techniques with these pieces of equipment.

2.6 **Indicator No. 4 – The number of slips, trips and falls**

There were 7 reports of slips, trips and falls in Q1 2017/18 compared with 3 in 2016/17. Five incidents reported occurred on operational duties while attending fires, where it is more challenging to identify potential slip and trip hazards. The other two reports happened as part of drills/training which are more easily preventable. Historically, this number has remained quite static and, given the nature of the work that the Service undertakes, the figure for slips, trips and falls remains consistently low.

- 2.7 **Indicator No. 5 – The number of vehicle collisions**
There has been a decline in the number of vehicle collisions in Q1 this year with 10 reports as opposed to 13 in the same quarter last year. 2 incidents were caused by overgrown foliage in Rother; 2 were vehicles striking bay doors, 3 were collisions with fixed/static objects e.g. pillars, parked cars, walls; 3 were collisions with other moving vehicles. A sub-group of the Workplace Safety Representative Committee has been set up to address the issue with bay doors. In addition, the subject of vehicle related collisions is considered through the Operational Assurance Group.
- 2.8 **Indicator No. 6 – The number of incidents where working time was lost.**
There were 7 incidents of lost working time in Q1 when compared with 6 incidents in 2016/17. Three of these occurrences were the musculo-skeletal injuries reported under Indicator No.2 RIDDORs, the others were short duration absences due to slips and trips, an individual who struck their head and a shoulder strain.
- 2.9 **Indicator No. 7 – The number of incidents of work-related violence.**
There are no reports of work related violence in this quarter, with 2 incidents being reported in Q1 in 2016/17.
- 2.10 **Indicator No. 8 – The number of incidents of stress**
There were 3 reports of work related stress compared to 1 in Q1 in 2016/17. A number of significant organisational changes has had a negative impact on the occurrence of workplace stress. The Healthy Mind Group are developing initiatives in their action plan to address change management and this is now being considered as a strategic issue through the Health, safety and Well-being Committee
- 2.11 **Indicator No. 9 – The number of near hits**
In Q1 there were 17 reports of near hits which is a significant increase on the 9 reported in 2016/17. The near hits covered a wide variety of issues some of which link back to other safety events. There were two near hits with bay doors which, when added to the vehicle collisions with bay doors reported in indicator no. 5 led to the discussion and agreement at WSR Committee to set up a sub-group to specifically address this issue. This demonstrates the value of near hit reporting in combination with safety events to identify areas of greater risk that need to be addressed. There were also 4 near hit reports in June from SCC reporting crewing below minimum. This is in the process of being addressed with recruitment of Fire Control Operators being run presently.
- 2.12 **Communication of Performance**
Quarterly reports are now being sent to Assistant Directors and Borough Commanders on the safety events that have occurred in the areas that they are responsible for. This will enable them to address trends and patterns of incidents with their management teams to aid in preventing reoccurrence.

3. CONCLUSION

- 3.1 The majority of the indicators remain relatively static at this stage of the year with small increases or reductions across the whole suite of indicators. It is too early to determine whether the initiatives that have recently been introduced into the Service are having an impact as these are more likely to occur over a longer period of time.

Appendix A – Full breakdown of statistics

	Per quarter				2017/18 Actual Total	2016/17 Actual Total	2015/16 Actual Total	2014/15 Actual Total
	2017/18 Q1	Q2	Q3	Q4				
1. Number of safety events received	48				48	234	224	233
2. Number of RIDDOR incidents	3				3	9	3	6
3. Number of manual handling Incidents	5				5	23	30	14
4. Number of slips, trips & falls	7				7	19	18	14
5. Number of vehicle collisions	10				10	60	44	53
6. Number of incidents where work time lost	7				7	26	20	16
7. Incidence of work-related violence	0				0	8	4	5
8. Incidence of stress	3				3	9	3	15
9. Number of near hits	17				17	46	61	59

EAST SUSSEX FIRE AUTHORITY

Meeting: Scrutiny & Audit
Date: 14 September 2017
Title of Report: Fatal Fire review report for 2016/17
By: Mark Andrews, Interim Deputy Chief Fire Officer
Lead Officer: David Kemp, Community Safety Manager

Background Papers:

Appendices: A - Fatal fire statistical report 2016/17
 B – Fatal & Serious Fire Review Flow Chart

Implications:

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	✓
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT: To outline the circumstances and outcomes of fatal accidental dwelling fires during 2016/17 and introduce a revised fatal fire review process.

EXECUTIVE SUMMARY: There were 3 fatal accidental dwelling fires during the performance year 2016/17. All three were male and two of the casualties were aged over 65 years, the third aged 56.

The circumstances leading up to each incident have been examined and in two of the incidents there appeared to be no obvious opportunities to have intervened beforehand to reduce the likelihood of the fire incident.

In the third case, that of a homeless man who died in a dwelling fire; lessons from the circumstances of his death have led to a review of information sharing and improved collaboration between agencies.

The proposed ESFRS Fatal and Serious Incident Review Manual Note provides a mechanism for greater analysis of

these incidents to ensure greater sharing of information from incidents across the Service to reduce risk.

RECOMMENDATION:

The Panel is asked to:

1. note the contents of the report.
 2. approve the principles of the revised fatal & serious fire review policy outlined in section 3 (paragraph 3.5).
-

1. **INTRODUCTION**

- 1.1 The annual Fatal Fire review process started in 2012 following a tragic year for deaths as a result of accidental dwelling fires. Whilst each individual fatal fire review identified the causes and learning points from the circumstances of the incident this was not carried across to the annual fatal fire report which just provided a statistical analysis of the actual events.
- 1.2 This annual report provides context to the fatal fires and actions taken both internally and collaboratively with partners to demonstrate outcomes from personal tragedy. The report will identify the causes and influences behind the event that resulted in the ultimate failure of prevention, a fatality. It examines deaths that occurred as a result of an accidental fire rather than those set deliberately.

2. **REVIEW PROCESS**

- 2.1 East Sussex Fire & Rescue Service instigated a fatal fire review process following the 10 fatalities in 2011/12.
- 2.2 Over the last 15 years there have been 53 accidental dwelling fire fatalities, with an average of 3.5 deaths a year. Over the last 5 years that average has fallen to just over 2 deaths a year. This significant reduction is linked to the closer collaboration between Adult Social Care & Health, with whom in East Sussex we have an information sharing agreement to share the data of all of their clients. Through partnership working with various NHS groups we are undertaking better targeting of home safety visits to people with long term conditions and complex needs. We have a data sharing agreement with a Clinical Commissioning Group that enables sharing of information by GP practices on patients at higher risk of injury at home as well as developing our Care Provider referral scheme to provide an easily accessible referral route for carers and service providers.
- 2.3 Despite the continued reduction in fire fatalities these incidents do still tragically occur and in 2016/17 a pilot process was introduced to further review each fire to ensure every element of the incident was carefully examined to extract as much learning as possible.

3. PROPOSED NEW FATAL FIRE REVIEW POLICY

- 3.1 A pilot fatal fire review process was introduced for all fatal fire incidents in 2016/17.
- 3.2 Following every fatal fire the borough commander where the fire has occurred is expected to prepare a report that covers the key areas of work carried at borough level, these include:
- Information about the casualty
 - Information about the property
 - Details of the ESFRS response
 - Details of any previous community safety activity at the property
 - Details of the post fire and follow up actions from the borough.
- 3.3 The report is then presented to a Fatal Fire Review Board who examine the report and discuss, in detail, the circumstances that lead up to the incident, the incident itself and the post fire actions of the Service in order to learn lessons from the incident and record any recommendations on a central community safety database where they can be tracked and any trends identified and appropriate action taken. Outcomes and actions are also shared with partners to ensure others benefit from the process. Where appropriate incidents are referred to Safeguarding Adult Boards for consideration of Serious Case Reviews.
- 3.4 The Board is chaired by the Interim Deputy Chief Fire Officer and attended by the leads for boroughs, community safety, fire investigation, Sussex Control Centre and communications to ensure the learning is shared across all relevant departments.
- 3.5 The proposed new policy that supports this process will also include reviews of other serious incidents that in other circumstances may have led to a fatality to provide the opportunity to learn from those incidents and share across the service to reduce risk. These reviews, as well as the fatal fire reviews, will identify upcoming trends to provide a much earlier opportunity to develop the tactics necessary to reduce the number of repeat or similar incidents and continuously drive community safety strategy. A flow-chart for the proposed policy is attached as appendix B.
- 3.6 For example, we have identified an increase in injuries associated with accidental kitchen fires. In previous years the likelihood of an injury in a kitchen fire was very low but in recent years half of our kitchen fires have resulted in an injury being sustained. The service has an Accidental Dwelling Fire (ADF) working group that has identified a number of actions to both reduce the number of accidental dwelling fires and to reduce the number of injuries sustained. One of the outcomes of this is that every station open day is now mandated to provide information and guidance to the public on reducing the risk of ADFs utilising a resource pack developed by the Communications Team and Community Safety Department.

- 3.7 The Serious Incident and Fatal Fire manual note will provide guidance to staff identifying the type of incidents to be reviewed. These include:
- All fires involving a fatality
 - After an **ADF** where the incident has met **at least one or more of the following criteria:**
 - a) A member of the public is taken to hospital as a result of injuries sustained at the incident (but not necessarily kept in overnight).
 - b) Where multiple people are injured (but not necessarily removed to hospital).
 - c) It is determined by the Officer In Charge that the severity of the fire has made the dwelling uninhabitable for at least 24 hours.
 - d) Where the Officer in Charge establishes previous ADF(s) have occurred.
 - After **a fire in a business / non-domestic premises** where the incident has met **at least one or more of the following criteria:**
 - a) A member of the public is taken to hospital as a result of injuries sustained at the incident (but not necessarily kept in overnight).
 - b) Where multiple people are injured (but not necessarily removed to hospital).
 - c) It is determined by the Officer in Charge that the severity of the fire has made the premises unusable for at least 24 hours.
 - d) Where the Officer in Charge establishes previous fires have occurred.
- 3.8 Additionally, the DCFO, Assistant Director or Borough Commander may choose to initiate a review and report process on any incident of interest that may not necessarily meet these criteria.
- 3.9 The aim of the policy is to assist the Service to enhance our understanding of the contributing factors most likely to result in a fire related incident. This will improve Community Safety and Business Safety activity that will aim to effectively reduce risk in the communities we serve. The consideration of valuable information gathered from the review and report process will ultimately influence the strategic approach on the reduction of fires and the injuries caused by them and will provide supporting evidence for a collaborative approach with partners when reducing the wider potential fire risk.
- 3.10 Additionally, the policy has several related objectives:
- In conjunction with the action plan developed by the Accidental Dwelling Fire Working Group assist in reducing fire related injuries by gaining an understanding of the personal characteristics and behaviours that make individual(s) more at risk of being involved in a fire, or unable to prevent or escape a fire.
 - Encourage ownership of Community Safety activity at station level so staff can identify Community Safety intervention opportunities and promote engagement within local communities.
 - Encourage ownership of Business Safety related activity at station level so staff can identify intervention opportunities and promote engagement within local business communities.

- Identify learning outcomes from the review and report process to improve the efficiency and direction of Community and Business Safety activity in the context of borough plans, in particular with external partners/agencies.
- 3.11 The process is likely to identify issues regarding operational procedures, including call handling and incident management. Although recorded and monitored in the serious fire related incident report as contributory factors of the incident, these will be referred to already established processes for further investigation.
- 3.12 Incidents that have been subject of review under the manual note will be added to the agenda of the following month's Safer Communities Management Team meeting to ensure that key outcomes are noted and disseminated to staff.
- 3.13 A repository of reviews, outcomes and subsequent actions will be maintained in the Safer Communities Management Team and included in the annual fatal fire review and reporting process.

4. **FATAL FIRES IN 2016/17**

4.1 There were 3 accidental dwelling fatal fires during 2016/17:

4.2 **Chiltern Close, Eastbourne**

Fire reported by a 999 call at 1.06am 17th October 2016. The property was a detached 2 storey house and garage in a cul de sac and had been privately rented. The fire had caused substantial damage to the first floor and roof and upon arrival of the Fire Service the casualty was discovered deceased on the first floor landing.



The first appliance arrived 10 minutes after the initial call.

The subsequent Fire Investigation determined that the fire had been accidental and caused by careless use of candles. The investigation determined that smoke detectors in the hard wired system had been previously removed.

The deceased was the sole occupant of the property, a male aged 69 years and known to be a smoker and alcohol drinker.

The property was in an affluent area that had no history of previous fires within the preceding 15 years and was considered by the analysts as low risk. Consequently only 5 of the properties within the close had been offered an ESFRS home safety visit and these due to the age of the occupants. Following the fire a Quick Strike was undertaken and home safety visits offered to surrounding houses and roads.

4.3 The subsequent fatal fire review determined that:

- The occupant was not known to health or social services and nothing about his life provided any outward clues of risk or vulnerability to fire; and
- There had, therefore, been no opportunities to provide an intervention, other than our periodic media messages regarding safe use of candles.
- Further community safety work in the estate was actioned; despite this being a new estate with hard wired detectors we needed to revisit these properties to carry out HFSVs.

4.4 Crisp Road, Lewes

Fire reported at 2.39am on 23rd December 2016. The property was a purpose built low rise block of 4 flats on 2 floors owned by Lewes District Council. The fire in a first floor flat was reported by the neighbour downstairs who had attempted a rescue but was forced back by the heat. Upon arrival at the premises crews found the unconscious casualty and removed him from the property where he was given first aid, initially by crews and then by paramedics. The casualty died in hospital 10 days after the fire.



The first appliance arrived 9 minutes after the initial call.

The fire investigation determined that the cause of the fire had been careless use of candles, the likely sole source of light within the property.

The deceased had been a visitor to the property, the tenant was not present at the time of the fire which caused substantial damage to the whole flat.

The deceased was a male aged 56 years and no fixed address. He was well known within the area and as a member of the street community moved around a great deal and was known to the Police and Local Authority.

There had been previous fire incidents at the flat in May and September 2013, both cooking related but involving previous tenants. A home safety visit had been conducted in October 2011, again to previous occupants, and the property was fitted with a hard wired smoke alarm.

The premises was considered to be high risk according to the analysts, evidenced by the previous incident and home safety visit. The tenants of the flat had been problematic to neighbours and had been the subject of non-fire related complaints but these had not been brought to the attention of ESFRS. There appears to have been no assessment of fire risk associated with the transient nature of the tenant or visitors visiting the flat and causing the nuisance complained about. Following the fire a quick strike was undertaken to the adjacent properties and roads.

It appeared that the pre-pay electric meter had run out, evidenced by the deceased knocking at neighbours' doors during the evening before the fire asking for change for the meter.

4.5 The subsequent fatal fire review determined that:

- The deceased had not previously been known to ESFRS. Our analytical tools are property based and assess the risk associated with a premises as well as the circumstances of the occupants. As a homeless person the deceased would not have been identifiable in his own right. Had he lived in a movable

home such as boat or caravan he would have been identifiable and we would have been able to record any interventions offered to him.

- He was well known to the Police and local authority in Lewes but he had not been brought to the FRS' attention through any of the interagency forums such as the Joint Action Group. Homeless people are at a significantly higher risk of harm and early death, the average age of death being 47 years, (43 for females) compared to the national average for the general population of 77 years. There had been no obvious opportunities to share information on the deceased prior to his death, and this appears to be the case with the majority of homeless people more widely, unless they have been the victim of a fire related assault or incident.
- The circumstances of the case were offered for consideration of a Serious Case Review at the East Sussex Safeguarding Adults Board. The case did not reach the threshold but the SAB's Operational Practice sub-group undertook a number of actions to address the points raised at the fatal fire review in respect of interagency data sharing, identification of homeless people considered to be at fire risk, raising of the issue at the East Sussex Housing Officer's Group (ESHOG) and involvement of JAGs in relation to street community intervention.
- ESFRS is represented on the Street Community working group both in the City and East Sussex to ensure that vulnerability to fire risk is properly understood and to enable sharing of relevant information.

4.6 Recommendations from the fatal fire review included:

- Review of liaison with Sussex Police at borough level to improve intelligence sharing and 'tasking'.
- Review the system for identifying repeat calls for addresses to ensure these are monitored by borough teams.

4.7 West Hill Road, St Leonards

Fire reported at 5.30pm on the 9th February 2017 with multiple calls received by SCC. The property was the middle of a large Victorian villa with 3 upper floors and a basement and occupied by an extended family. The fire was extensive and had started in the basement which was where the deceased was found by fire crews.



The first appliance arrived 5 minutes after the initial call.

The subsequent fire investigation determined that the likely cause was accidental by a carelessly discarded cigarette, probably in an armchair which was completely destroyed and had been next to the bed where the deceased was found.

The deceased was a male aged 74 years who shared the property with his wife, daughter and daughter's partner. He spent most of his time alone in the basement room whilst the rest of the family occupied the other three floors. Over the last 20 years he had become a progressively heavier drinker and was a smoker.

During the day of the fire the family had gone out leaving the deceased in the basement flat, his wife had not seen him since the previous evening.

The property was in an area assessed by the analysts to be at high risk due to the high level of deprivation in the area and occupants of that style of premises. There had been two fire related incidents within the locality but not at the address. Home safety visits had been undertaken at 33 properties in the immediate area but not at the address. A quick strike was carried out and a further 45 home safety visits undertaken.

4.8 The fatal fire review determined that:

- The deceased was not known to drug or alcohol services and there was no care package or involvement with Adult Social Care & Health.
- There had been previous incidents within the home where cigarettes had caused accidental fires but these were all extinguished by the family and the FRS was not contacted.
- There appeared to have been no opportunities for ESFRS to have interacted with the deceased; there was no involvement of other agencies that would have provided the opportunity for a referral and previous incidents were not reported.
- ESFRS regularly provides media and targeted social media information about the safe disposal of cigarettes and the risks associated with smoking material as well as advice regarding alcohol and fire safety.

5. **CONCLUSION**

5.1 Two of the fatal fires involved occupants who were within the range of vulnerabilities that are seen as higher risk nationally, that of being over 65 years of age. The remaining fatality was aged 56 years and therefore not within this group. The other feature of all three deaths is that they were alone at the time of the fire, in the case of the St Leonards fatality the deceased lived a solitary life notwithstanding that other family members occupied the remainder of the premises.

5.2 Measures put in place post 2011/12 to share information and work collaboratively with other agencies did not specifically identify the two over 65's as they were unknown to those services and, other than appearing on the Exeter data from NHS England (along with 175,000 other East Sussex residents) nothing was known to identify their vulnerabilities.

5.3 In the case of the Lewes fire additional actions have been undertaken to mitigate the risk involving the many other people living in the circumstances of the deceased. One such step is the new Customer Relationship Management data handling system being developed for ESFRS Community Safety that will enable the service to track individuals rather than just addresses. Thus, where a person comes to our attention and is transient, whether homeless or a frequent mover between rented homes or squats, we will be in a position to engage with them to offer fire, home and personal safety advice where appropriate.

5.4 All fatal fires are discussed at the relevant Safeguarding Adults Board and the consensus of opinion from members of the Boards, representing all statutory and non-statutory organisations is that data sharing and referral of vulnerable people is working and will continue to work provided that our focus remains on those at higher

risk; older people, those living alone, people with disabilities or lack of mobility, sensory and mental illness. We are cognisant of developing trends where other risk groups are identified, such as homeless or transient people who are difficult to engage with and to provide safety messages for.

5.5 The outcome of this year's fatal fire review provides an opportunity to identify new trends and explore collaborative ways to ensure that risk is reduced where possible.

6. RECOMMENDATION

6.1 The Panel is asked to:

1. note the contents of the report.
2. approve the principles of the revised fatal & serious fire review policy outlined in section 3 (paragraph 3.5).

Appendix A

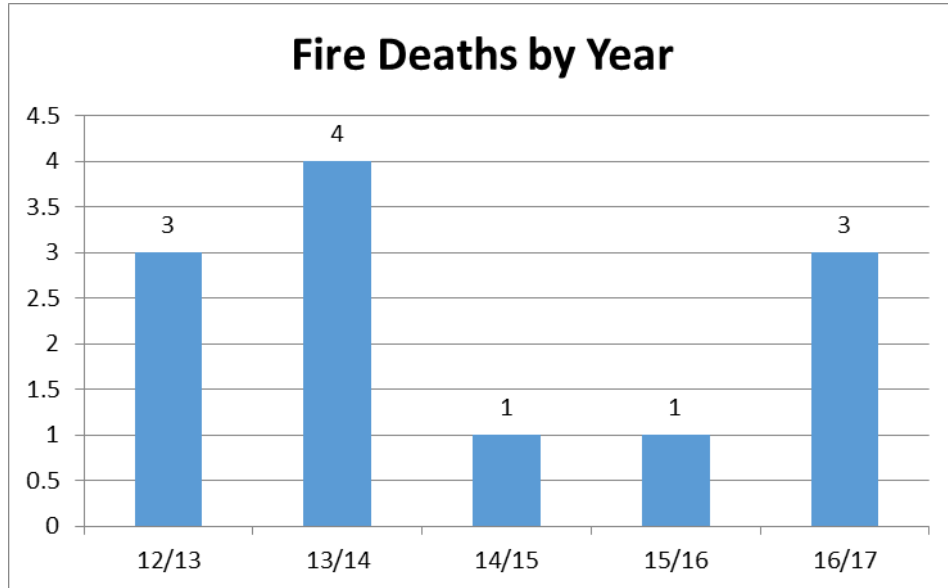
Charts are for 5 year figures

15 years - 02/03 - 16/17

Year	Total
02/03	3
03/04	2
04/05	4
05/06	2
06/07	4
07/08	4
08/09	8
09/10	2
10/11	2
11/12	10
12/13	3
13/14	4
14/15	1
15/16	1
16/17	3
Total	53

most recent 5 years - 12/13 - 16/17

Year	Total
12/13	3
13/14	4
14/15	1
15/16	1
16/17	3
Total	12



15 years - 02/03 - 16/17

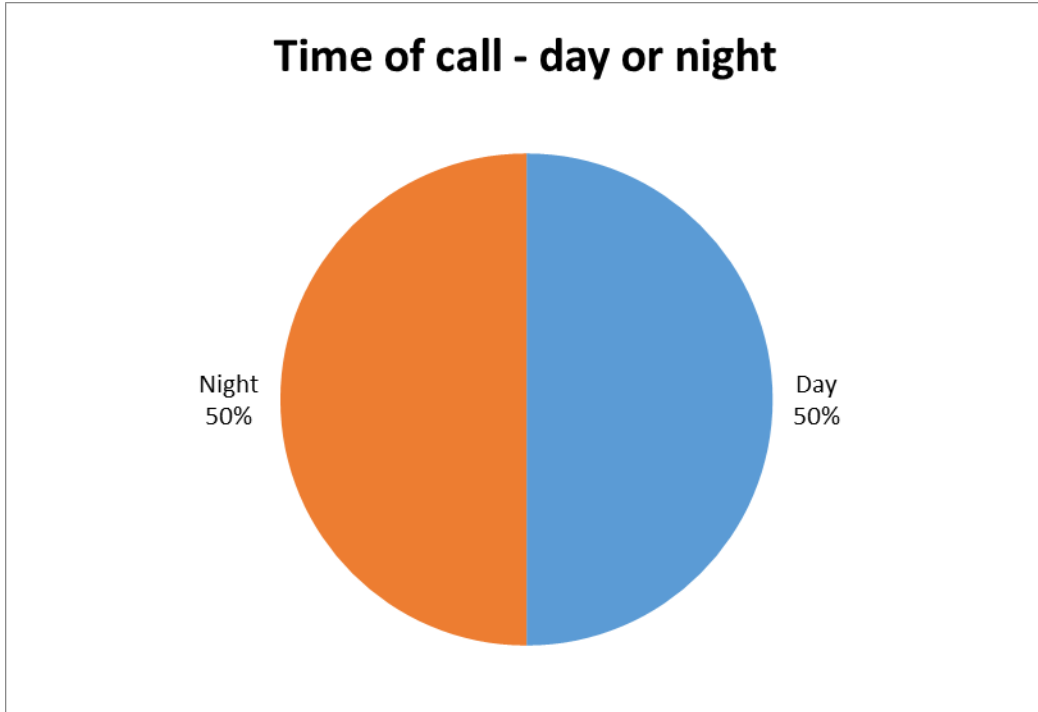
Day or Night Shift	Total
Day	22
Night	31
Total	53

most recent 5 years - 12/13 - 16/17

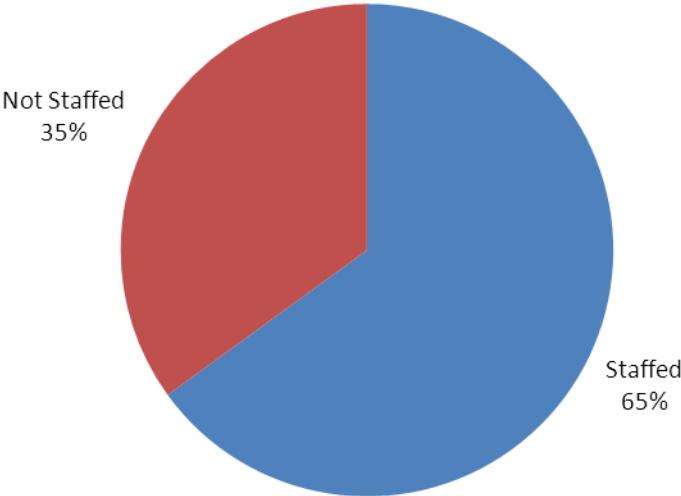
Day or Night Shift	Total
Day	6
Night	6
Total	12

2016/17 only

Day or Night Shift	Total
Day	1
Night	2
Total	3



Fire station at time of call



15 years - 02/03 - 16/17

Fire station at time of call	Total
Staffed	38
Not Staffed	15
Total	53

most recent 5 years - 12/13 - 16/17

Fire station at time of call	Total
Staffed	7
Not Staffed	5
Total	12

2016/17 only

Fire station at time of call	Total
Staffed	2
Not Staffed	1
Total	3

15 years - 02/03 - 16/17

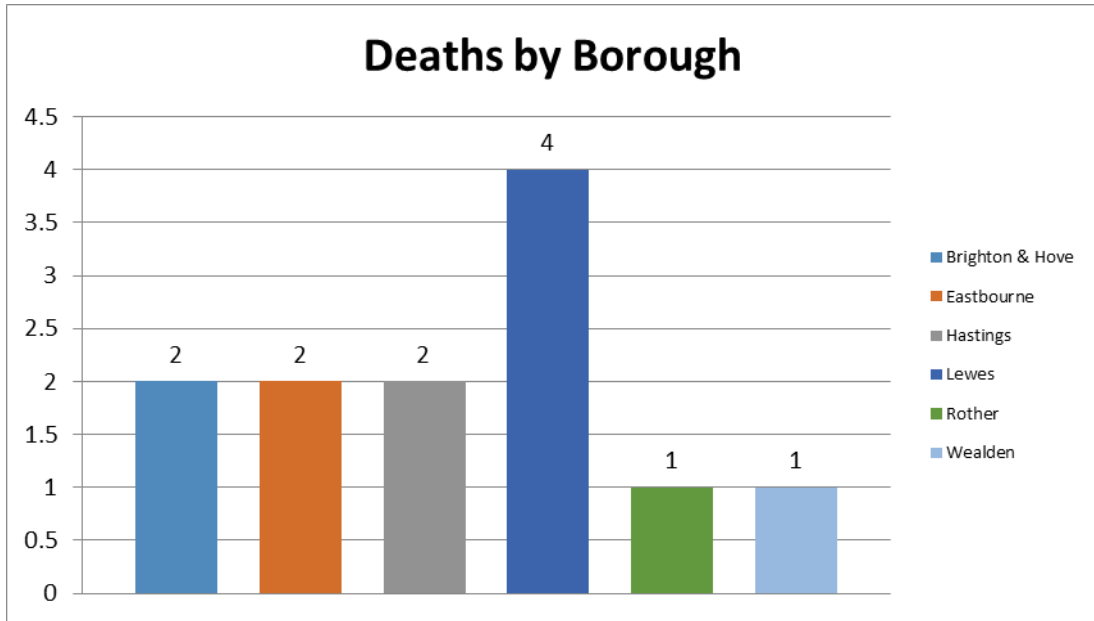
Borough		Total
Urban	Brighton & Hove	13
	Eastbourne	8
	Hastings	9
Subtotal:		30
Rural	Lewes	10
	Rother	6
	Wealden	7
Subtotal:		23
Total		53

most recent 5 years - 12/13 - 16/17

Borough		Total
Urban	Brighton & Hove	2
	Eastbourne	2
	Hastings	2
Subtotal:		6
Rural	Lewes	4
	Rother	1
	Wealden	1
Subtotal:		6
Total		12

2016/17 only

Borough		Total
Urban	Brighton & Hove	0
	Eastbourne	1
	Hastings	1
Subtotal:		2
Rural	Lewes	1
	Rother	0
	Wealden	0
Subtotal:		1
Total		3



15 years - 02/03 - 16/17

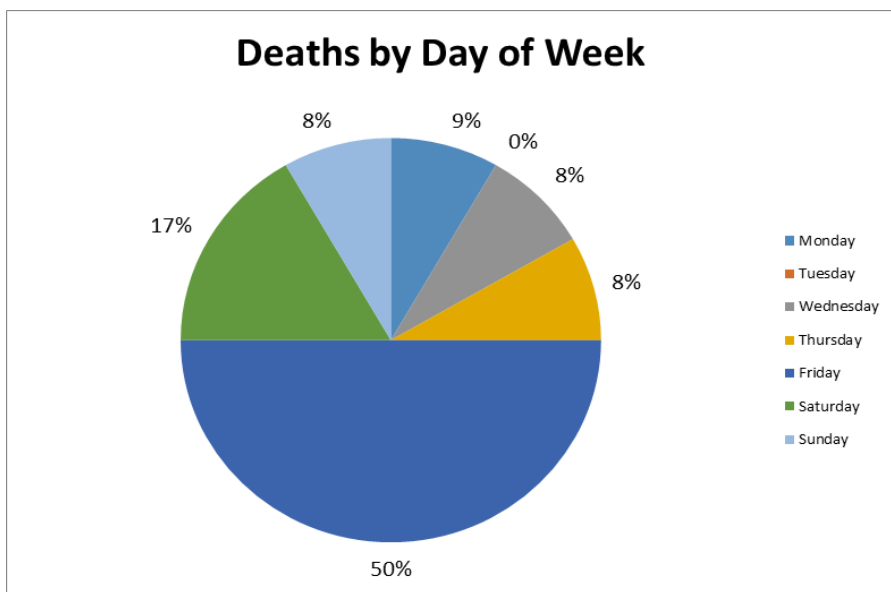
Day of Week		Total
Weekday	Monday	5
	Tuesday	3
	Wednesday	7
	Thursday	9
	Friday	10
Subtotal:		34
W'end	Saturday	13
	Sunday	6
Subtotal:		19
Total		53

most recent 5 years - 12/13 - 16/17

Day of Week		Total
Weekday	Monday	1
	Tuesday	0
	Wednesday	1
	Thursday	1
	Friday	6
Subtotal:		9
W'end	Saturday	2
	Sunday	1
Subtotal:		3
Total		12

2016/17 only

Day of Week		Total
Weekday	Monday	1
	Tuesday	0
	Wednesday	0
	Thursday	0
	Friday	2
Subtotal:		3
W'end	Saturday	0
	Sunday	0
Subtotal:		0
Total		3



15 years - 02/03 - 16/17

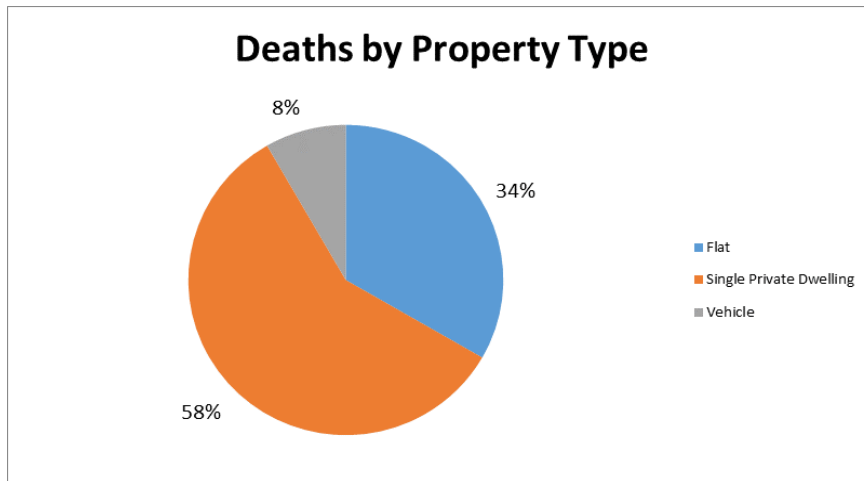
Type of Property	Total
Flat	18
Single Private Dwelling	31
Vehicle	4
Total	53

most recent 5 years - 12/13 - 16/17

Type of Property	Total
Flat	4
Single Private Dwelling	7
Vehicle	1
Total	12

2016/17 only

Type of Property	Total
Flat	1
Single Private Dwelling	2
Vehicle	0
Total	3



15 years - 02/03 - 16/17

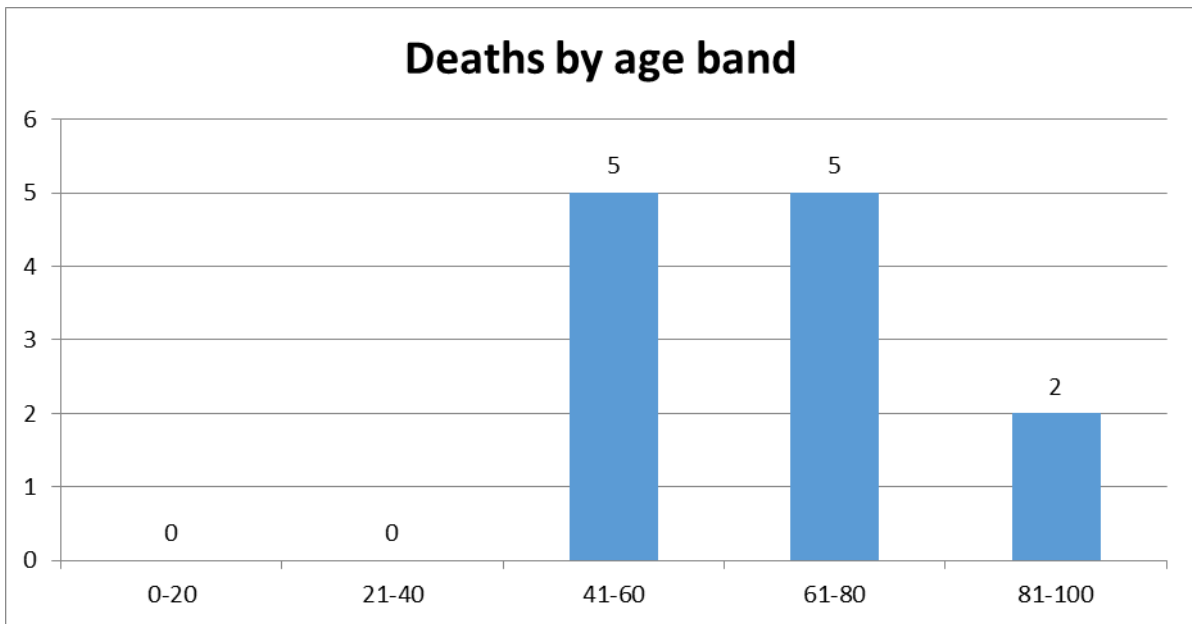
Age Band	Total
0-20	2
21-40	2
41-60	18
61-80	18
81-100	12
unknown	1
Total	53

most recent 5 years - 12/13 - 16/17

Age Band	Total
0-20	0
21-40	0
41-60	5
61-80	5
81-100	2
Total	12

2016/17 only

Age Band	Total
0-20	0
21-40	0
41-60	2
61-80	1
81-100	0
Total	3



15 years - 02/03 - 16/17

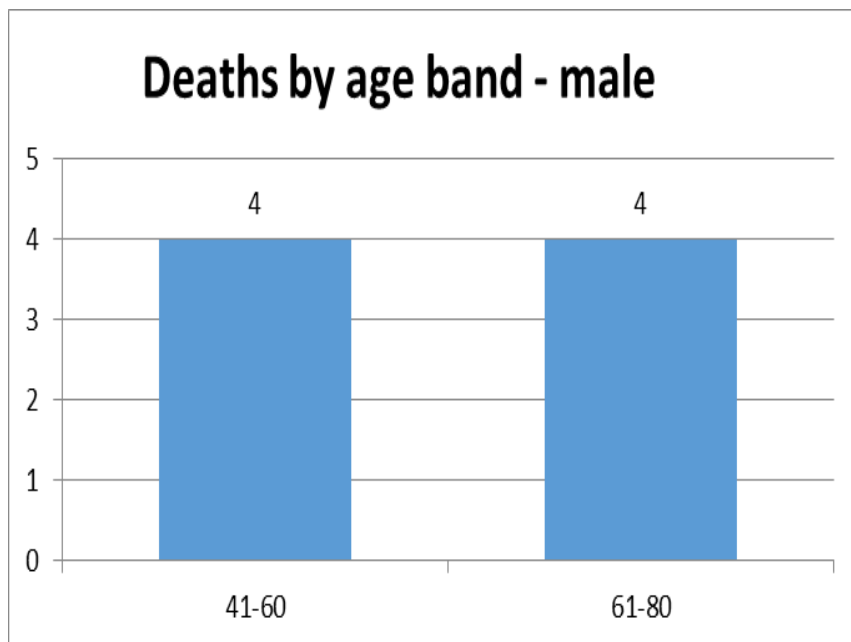
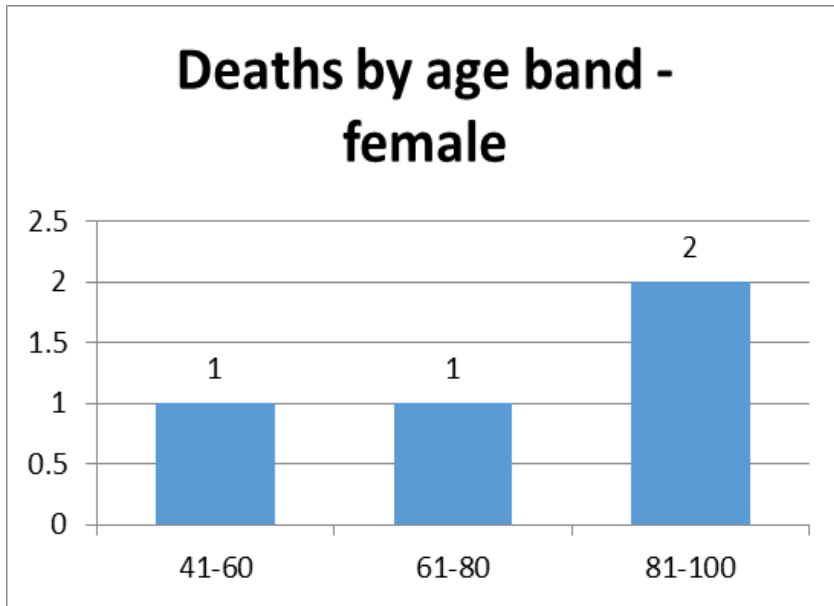
Age Band by Gender		Total
Female	41-60	7
	61-80	9
	81-100	10
Subtotal:		26
Male	0-20	2
	21-40	2
	41-60	11
	61-80	9
	81-100	2
	unknown	1
Subtotal:		27
Total		53

most recent 5 years - 12/13 - 16/17

Age Band by Gender		Total
Female	41-60	1
	61-80	1
	81-100	2
Subtotal:		4
Male	41-60	4
	61-80	4
	81-100	0
Subtotal:		8
Total		12

2016/17 only

Age Band by Gender		Total
Female		
Subtotal:		0
Male	41-60	2
	61-80	1
Subtotal:		3
Total		3



15 years - 02/03 - 16/17

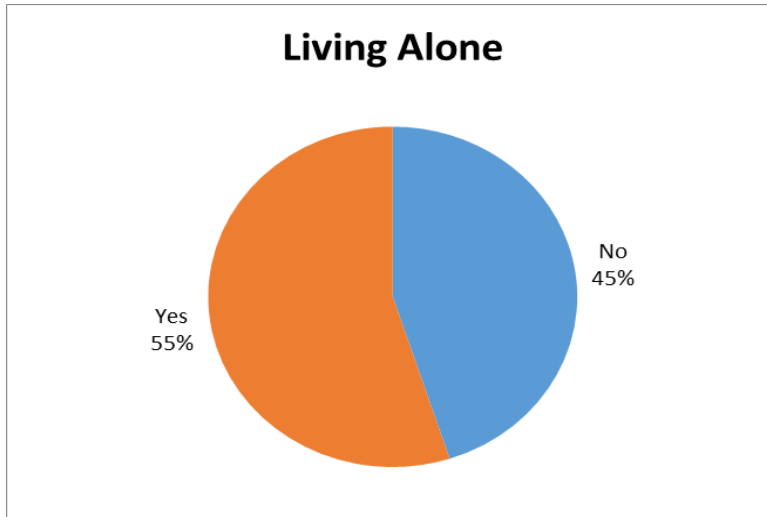
Lived Alone? (By Gender)		Total
No	Female	8
	Male	13
		No 21
Yes	Female	18
	Male	13
		Yes 31
Unknown	Female	0
	Male	1
		Yes 1
		Total 53

most recent 5 years - 12/13 - 16/17

Lived Alone? (By Gender)		Total
No	Female	0
	Male	5
		No 5
Yes	Female	4
	Male	2
		Yes 6
Unknown	Female	0
	Male	1
		Yes 1
		Total 12

2016/17 only

Lived Alone? (By Gender)		Total
No	Female	0
	Male	2
		No 2
Yes	Female	0
	Male	0
		Yes 0
Unknown	Female	0
	Male	1
		Yes 1
		Total 3



15 years - 02/03 - 16/17

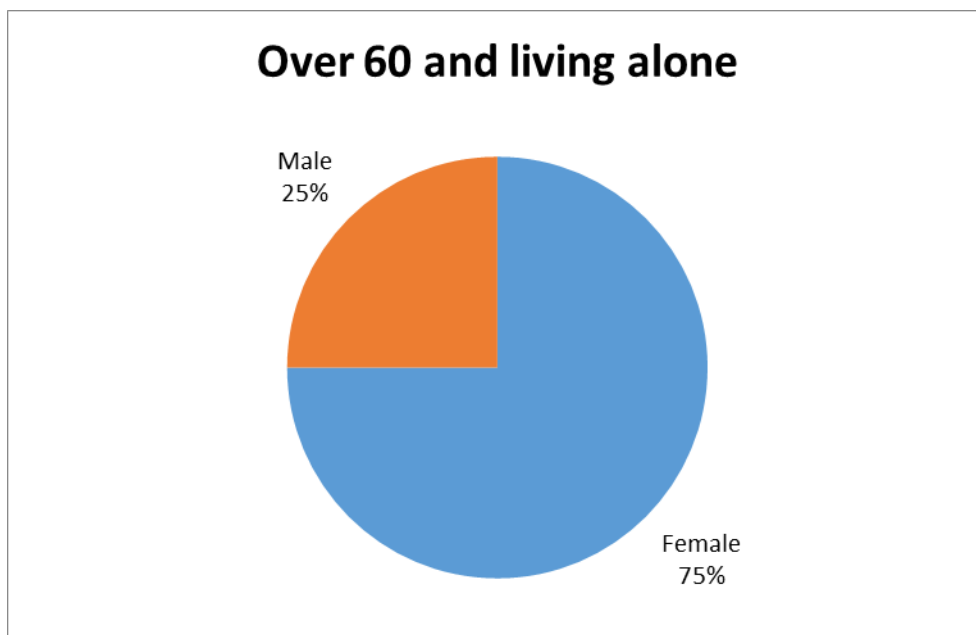
Over 60 and living alone	Total
Female	16
Male	7
Total	23

most recent 5 years - 12/13 - 16/17

Over 60 and living alone	Total
Female	3
Male	1
Total	4

2016/17 only

Over 60 and living alone	Total
Female	0
Male	0
Total	0



15 years - 02/03 - 16/17

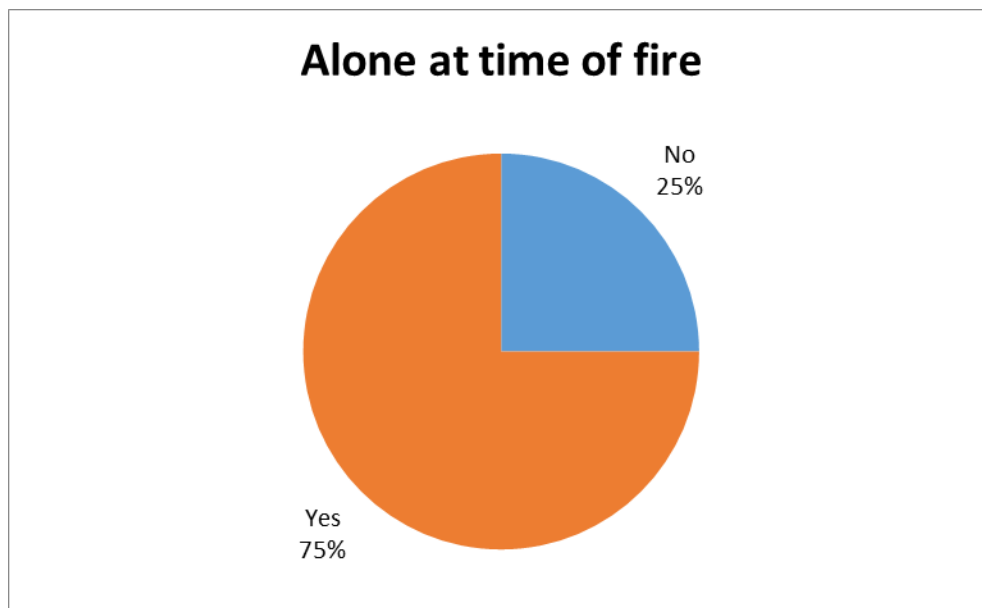
Alone at the time? (By Gender)		Total
No	Female	4
	Male	12
		No 16
Yes	Female	21
	Male	15
		Yes 36
Unknown	Female	1
	Male	0
		1
		Yes 37
		Total 53

most recent 5 years - 12/13 - 16/17

Alone at the time? (By Gender)		Total
No	Female	0
	Male	3
		No 3
Yes	Female	4
	Male	5
		Yes 9
		Total 12

2016/17 only

Alone at the time? (By Gender)		Total
No	Female	0
	Male	1
		No 1
Yes	Female	0
	Male	2
		Yes 2
		Total 3



15 years - 02/03 - 16/17

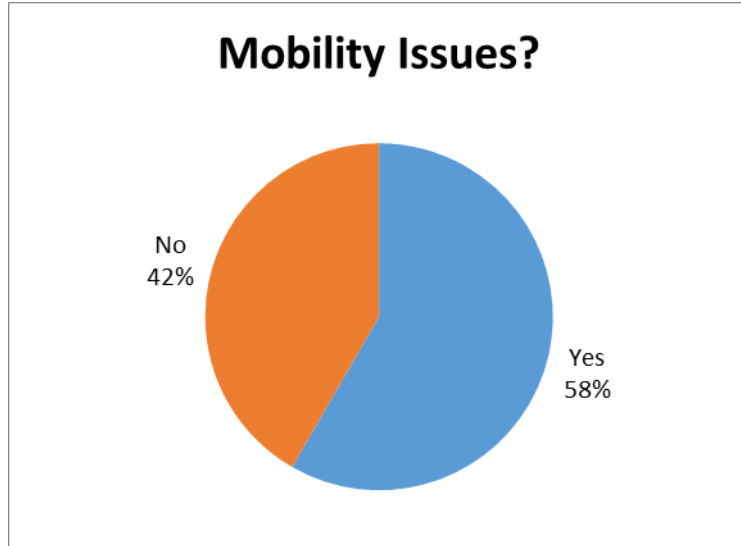
Mobility Issues?	Total
Yes	23
No	30
Total	53

most recent 5 years - 12/13 - 16/17

Mobility Issues?	Total
Yes	7
No	5
Total	12

2016/17 only

Mobility Issues?	Total
Yes	0
No	3
Total	3



15 years - 02/03 - 16/17

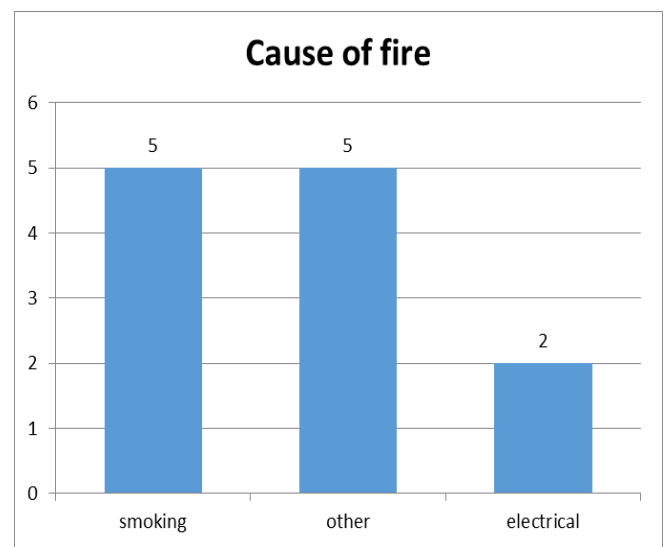
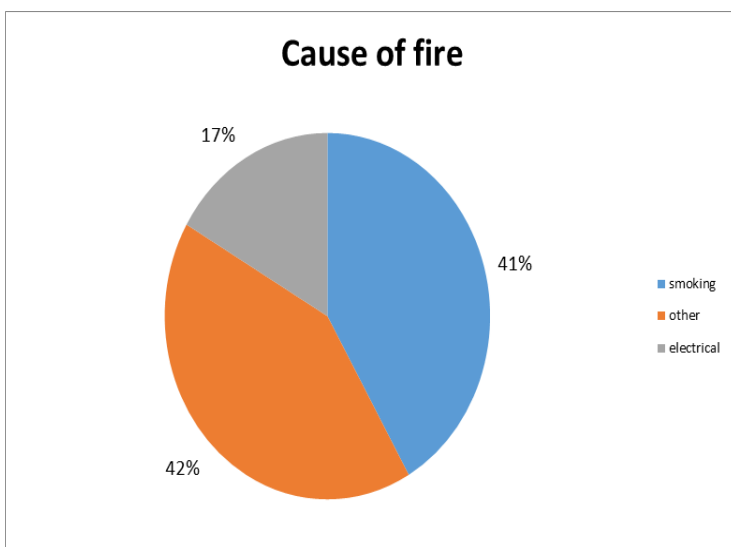
Cause of Fire	Total
smoking	23
other	12
candle	8
electrical	7
cooking	2
unknown	1
Total	53

most recent 5 years - 12/13 - 16/17

Cause of Fire	Total
smoking	5
other	5
electrical	2
candle	0
unknown	0
cooking	0
Total	12

2016/17 only

Cause of Fire	Total
smoking	1
electrical	0
other	2
candle	0
cooking	0
unknown	0
Total	3



Other Category Breakdown

Accidental ignition of clothing

1

Combustible articles too close to heat source

4

15 years - 02/03 - 16/17

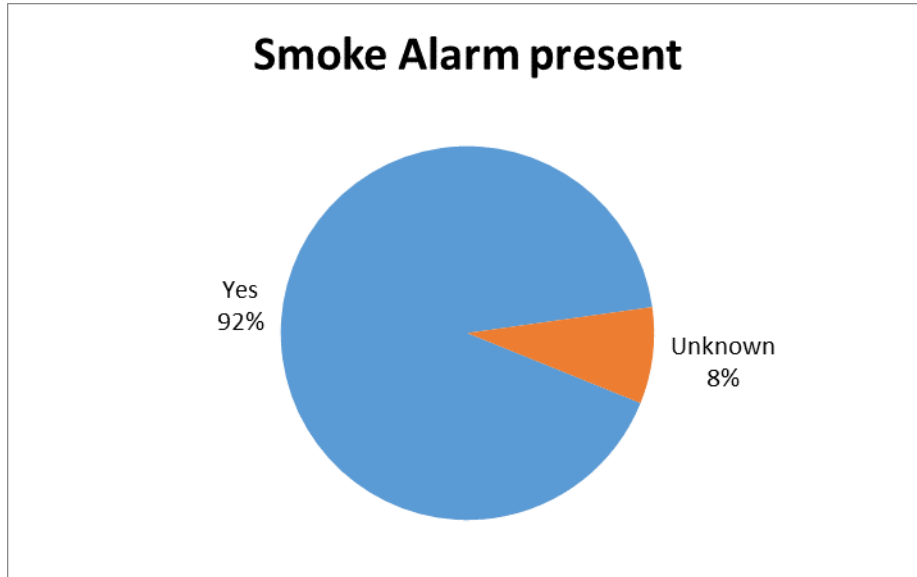
Smoke Alarm	Present	Raised Alarm
Yes	37	16
No	9	
Unknown	7	
Total	53	16

most recent 5 years - 12/13 - 16/17

Smoke Alarm	Present	Raised Alarm
Yes	11	4
No	0	
Unknown	1	
Total	12	4

2016/17 only

Smoke Alarm	Present	Raised Alarm
Yes	2	1
No	0	
Unknown	1	
Total	3	1

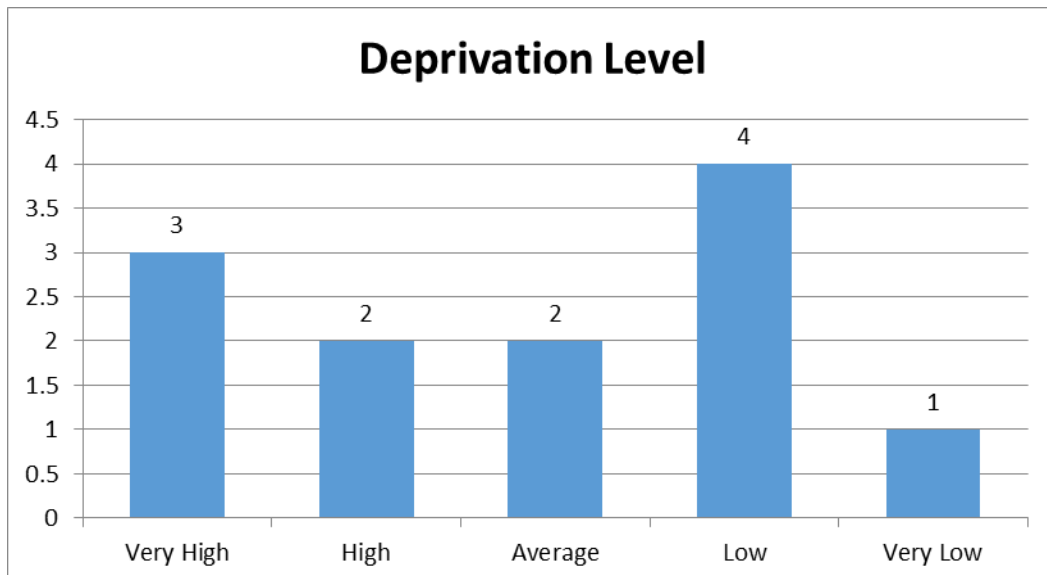


most recent 5 years - 12/13 - 16/17

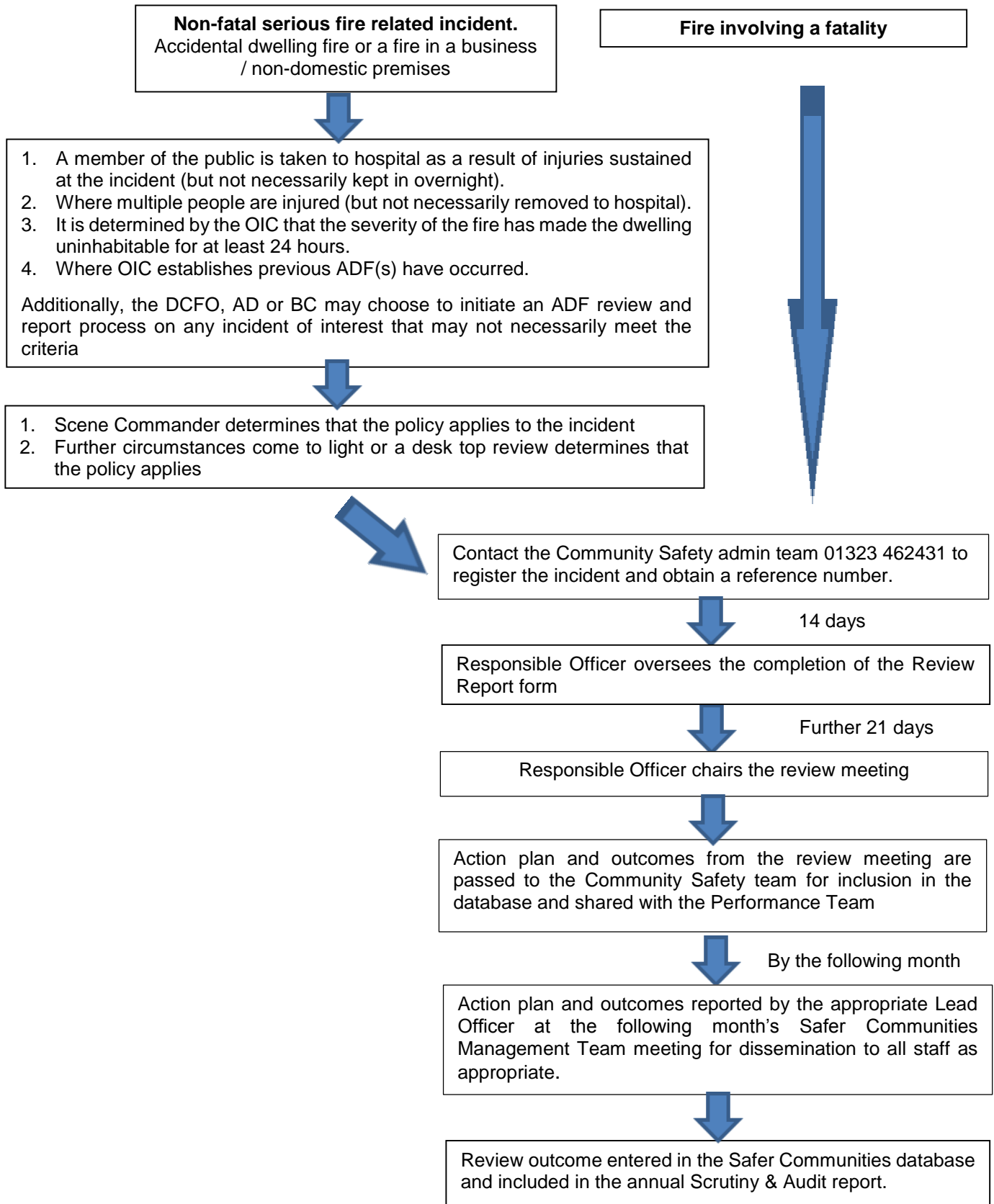
Deprivation Level	
Very High	3
High	2
Average	2
Low	4
Very Low	1
NA	0
Total	12

2016/17 only

Deprivation Level	
Very High	1
High	1
Average	1
Low	0
Very Low	0
Unknown	0
Total	3



1.1



EAST SUSSEX FIRE AUTHORITY

Panel: Scrutiny & Audit

Date: 14 September 2017

Title of Report: 2016/17 Annual report of the ESFRS Local Firefighters' Pension Board

By: Vicky Chart, Assistant Director of Human Resources & Organisational Development

Background Papers: Local Firefighters' Pension Board meetings held on 8 September 2016, 8 December 2016, 14 February 2017

Appendices None

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT: To inform the Panel of the matters considered by the Pension Board during 2016/17.

EXECUTIVE SUMMARY: The Authority, (on 12 February 2015), approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The terms of reference of the Pension Board state that the Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

The Board has met on three occasions during the year.

The Board has considered local issues and national issues and their impact on the East Sussex Schemes.

The Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.

RECOMMENDATION:

The Panel is asked to note the annual report of the Pension Board for 2016/17 and that the Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.

1. **ESTABLISHMENT OF THE LOCAL PENSION BOARD**

1.1 The Authority (on 12 February 2015) approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The Authority agreed that the Board should comprise four employee representatives (one each from Fire Brigades' Union (FBU), Retained Firefighters' Union (RFU), Fire Officers' Association (FOA) and Association of Principal Fire Officers (APFO)) and four employer representatives drawn from the Fire Authority.

1.2 The Authority also approved a role description for employer and member representatives. The terms of reference for the Board are set out in the Authority's Constitution and can be viewed at:

<http://www.esfrs.org/about-us/fire-authority-constitution/>

The terms of reference indicate that the Board should meet a minimum of twice per year, although the Board understood that this may have to be more often whilst it became established and familiar with its role.

1.3 The Board members for 2016/17 were:

Councillors Butler (Chair), Earl, Penn and Taylor.
FOA – Matt Lloyd
RFU – Justin Goodchild
FBU – Mark Brown
APFO – Mark Andrews

The Board elected Councillor Carla Butler as its Chair for the year.

2. **MEETINGS OF THE BOARD**

2.1 The Board has met on three occasions – 8 September 2016, 8 December 2016 and 14 February 2017.

3. **MAIN ISSUES CONSIDERED BY THE BOARD**

3.1 **8 September 2016**

The Board noted that the Fire Authority, at its annual meeting on 16 June 2016, had appointed Councillor Carla Butler as Chair of the Local Firefighters' Pension Board for the year.

The Board noted that the Fire Authority, at its annual meeting on 16th June 2016, had re-appointed Councillor Carla Butler as Chair of the Local Firefighters' Pension Board for the year.

The Board considered an update on pensions matters. This included:

3.1.1 Transitional arrangements – Firefighters' Pension Scheme 2015

Following the introduction of the new Firefighters' Pension Scheme on 1 April 2015, the FBU had levied a trade dispute which remains live. Transitional arrangements were introduced by the Government. Those members who, as at 1 April 2012, are within 10 years of their current scheme's national pension age would remain in that scheme until they retired. A taper protection was introduced for those members who were up to a further 4 years from their scheme's normal pension age and these members can remain in their scheme until their taper protection date after which they will transfer to the 2015 scheme. The Government's transitional arrangements were being challenged by the FBU. Should the Government be found to have acted unlawfully, the transitional arrangements will have to be changed and any individuals affected offered compensation.

3.1.2 Contributions for those who joined aged 18-20 with over 30 years' service

The Government has conceded a claim regarding the number of years' service that could be counted for pensionable purposes. The effect of this is that members of the Scheme should make contributions for 30 years maximum; those who have made contributions between the ages of 18-30 and who have left the Scheme will be entitled to a refund of the contributions paid between the ages of 18-20. Those members who are still active members of the scheme will have contribution free years between the ages of 48-50.

3.1.3 Norman v Cheshire

Firefighter Norman had challenged the application of the existing firefighter pension rules where additional payments, where received as a day crewed firefighter, should have been considered when calculating his pension. Judgement was found in his favour and fire authorities have had to review their own additional pay elements regarding pensionable pay. The amount to be met by ESFA had been calculated and the unions had agreed the payments from members which had to have been made by 31st March 2016. The Fire Authority has considered previous reports on this issue.

3.1.4 RDS Modified Pension Settlement

Retained firefighters employed by an English Fire and Rescue Authority during the period 1 July 2000 and 5 April 2006 inclusive, were not given the opportunity to join the membership of the Firefighters' Pension Scheme 1992 (the "1992 Scheme") in respect of that employment. The Government has now introduced the terms of the Retained Firefighters' Pension Settlement that will offer pension entitlement for all employees who were employed as retained firefighters between 1 July 2000 and 5 April 2006 inclusive.

The pension benefits are incorporated within the Firefighters' Pension Scheme 2006 (the "2006 Scheme"). It does not constitute a scheme on its own but rather a new modified section of the 2006 Scheme with different benefits.

All eligible firefighters were written to and offered the opportunity to join the 'RDS Modified Scheme'. They were provided with detail of how much it would cost to join the scheme and an estimate of the benefit they could expect to receive on retirement.

3.1.5 Lifetime Allowance Changes

The Lifetime Allowance is the maximum amount of pension savings an individual can make tax-free over their lifetime.

The Government announced that Lifetime Allowance would reduce from 1.25 million to £1 million from 6 April 2016. The Lifetime Allowance will increase by CPI from 2018-19 onwards.

When an individual comes to take their pension savings, anything over their tax-free lump sum will normally be taxed at their marginal rate of income tax. If their pension savings are higher than the Lifetime Allowance, then any pension savings above this level will be subject to an additional tax charge.

For those who think they may be affected by the reduction in the Lifetime Allowance, the Government has announced that transitional protection will be available.

Where this protection applies, any pension savings an individual has on the 5 April 2016 up to the value of the current Lifetime Allowance of £1.25 million, will be protected from the Lifetime Allowance charge.

3.1.6 Annual Allowance

In addition to the changes in Lifetime Allowance, there were also changes made to the Annual Allowance. This is designed to restrict the tax relief on pension growth. The difficulty in identifying those who have exceeded their annual allowance comes from the fact that HMRC are looking at all adjusted income. There is no comprehensive list of the income which is included and as such FRA's have been instructed that we do not give tax advice, just provide information. The individual is liable for any Annual Allowance charge.

The guidance states that we need to write to any employees who exceed the threshold in their employment with ESFRS by 6th October of each year.

3.1.7 Survivor Benefits

Amending regulations regarding survivor benefits have been laid. The main point to consider is around ill health retirements. If a firefighter begins the ill health retirement process whilst in the 1992/2006 scheme and is due to transition into the 2015 scheme during the process, the taper is put on hold. If the decision to ill health retire is upheld, he/she would remain in the 1992/2006 scheme. If the decision is not upheld, he/she would taper into the 2015 scheme on the date the decision was made

3.1.8 Annual Benefit Statements

The Pension Regulator issued updated guidance on issuing annual benefit statements.

LGA issued an Annual Benefit Statement template that provided the minimum requirements that needed to be on the ABS. With the changes and additions to Firefighters' Pension Schemes in the previous year, it was necessary to ensure that the ABS truly reflected these changes.

3.1.9 Firefighters' Pension Schemes – 2016 Valuation

The Government Actuary's Department (GAD) has received the initial data from FRAs as part of the 2016 valuation of the firefighter pensions' schemes. This process will value the total liabilities of the 1992, 2006 and 2015 Scheme as at 31 March 2016. Data for ESFRS was submitted by Orbis in line with the deadline of 12th August 2016.

Whilst the initial data has been sent, this is an ongoing project designed to identify and correct any anomalies within the data.

3.1.10 Firefighters' Pension Schemes – Key Performance Indicators

The Board received and considered Key Performance Indicators for Quarter 4 of 2015-16 and Quarter 1 of 2016-17.

The Treasurer was asked to invite Orbis to future meetings to present performance monitoring information to the Board and provide Members with an assurance of improved performance against the targets.

3.1.11 Internal Audit Report on Pensions

The Board considered a report of the AD – R/T that attached the Internal Audit review of the Authority's arrangements for administering the FPS and the LGPS which had been completed as part of the agreed annual audit plan for 2015/16. The outcome of the audit had been a positive one and the Board could be assured by the substantial assurance opinion given by the auditors.

3.2 8 December 2016

The Board considered an update on pensions matters. This included:

3.2.1 Pensions Update

This updated the Board of recent pension developments including transitional arrangements for the FPS 2015; contributions for those with over 30 years' service, who joined aged 18-20; an update on Pensionable Pay and Temporary Allowances; the firefighters' pension schemes – 2016 valuation; and Annual Benefit Statements.

3.2.2 Annual Benefit Statements

The Firefighter Pension Scheme ABSs were due to be issued by 31 August 2016. Due to the additional work necessary, Orbis did not meet the deadline and were unable to issue the ABSs until 16 September 2016. The breach was reported to the Pensions Regulator. The Pensions Regulator decided against taking any action against the trustees but reserved the right to reconsider this decision if any additional information was reported. ESFRS would be working with Orbis to ensure that future ABSs are issued within the statutory deadlines.

3.2.3 Firefighters' Pension Schemes Administration Update

The Board received a report from the Lead Pensions Manager Business Operations Orbis and considered an update on performance and themes including key performance indicators for July – September, and October 2016.

Orbis Business Operations recognised that ESFRS felt service quality for both scheme members and the Fire Service management team had not delivered against expectations. Through service improvements described in the report, coupled with a more stable regulatory period, Orbis were confident that the Fire Service would experience an improved service. By developing closer working partnership between the Surrey and East Sussex Pension Teams, along with the opportunity to present their performance directly to the Pensions Board, Orbis were confident they could ensure a mutually beneficial partnership.

3.2.4 Firefighters' Pension Scheme External Audit Activity

The Board considered a report of the Assistant Director – Resources/Treasurer that informed the Board of the external audit activity in relation to the Firefighters' Pension Scheme.

The Authority's external auditor Ernst & Young LLP (EY) reviewed pension transactions that impacted on the Authority's accounts and on the Firefighters' Pension Fund Account, and considered risks and controls in relation to pensions administration. For 2015/16 EY gave an unqualified opinion on the Authority's accounts and identified no control issues.

3.3 14 February 2017

The Board considered an update on pensions matters. This included:

3.3.1 Pensions Update

This updated the Board of recent pension developments including transitional arrangements for the FPS 2015; contributions for those with over 30 years' service, who joined aged 18-20; an update on Pensionable Pay and Temporary Allowances and the firefighters' pension schemes – 2016 valuation.

3.3.2 Guaranteed Minimum Pension (GMP) Reconciliation

HMRC have requested that Fire & Rescue Authorities supply guaranteed minimum pension (GMP) data for their firefighters. They need to compare this information with the data they hold to fulfil the reconciliation process.

ESFRS have signed up to the HMRC reconciliation service. *Orbis are currently engaging in commercial negotiations with a third-party provider for the Local Government schemes reconciliation exercise, and they anticipate that the Fire data be reconciled at the same time within the same agreement.*

Orbis are committed to achieving the HMRC deadline of December 2018.

3.3.3 Firefighters' Pension Schemes Administration Update

The Board received a report from the Lead Pensions Manager Business Operations at Orbis; this provided an overview of key activities affecting the delivery of the scheme administration, supported by a key performance indicator (KPIs) dashboard for October to December 2016.

The Board noted that review meetings were now in place between Orbis and ESFRS to discuss and address any concerns relating to service delivery and agree a plan for future needs.

4. **FIREFIGHTERS' PENSION SCHEME ADVISORY BOARD**

- 4.1 The Firefighters' Pension Scheme Advisory Board was established by the Firefighters' Pension Scheme (England) Regulations 2014. It consists of a Chairman and at least two but no more than 14 persons appointed by the Home Secretary. The Home Secretary has appointed Malcolm Eastwood CBE as Chairman and has considered nominations and made 14 appointments (7 each of employer and employee representatives).

5. **CONCLUSION**

- 5.1 The Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.