



EAST SUSSEX FIRE AUTHORITY

SCRUTINY & AUDIT PANEL

THURSDAY, 26 JULY 2018 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.	
166	1	In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members
167	1	Election of Chairman
168	1	Apologies for Absence
169	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)
170	3	<u>Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 13 June 2018</u> (copy attached)

Item No.	Page No.	
171	2	Callover
		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
172	11	<u>Contract Standing Orders Waivers Summary April 2018 to date – Report of the Assistant Director Resources/Treasurer</u> (<i>copy attached</i>)
173	15	<u>Safety Events Statistics Report – Quarter 1 2018/19 – Report of the Assistant Director Training & Assurance</u> (<i>copy attached</i>)
174	27	<u>External Auditors’ Audit Results Report (ISA 260) and Statement of Accounts 2017/18 – Report of the Assistant Director Resources/Treasurer</u> (<i>copy attached</i>)
175	153	<u>2018/19 First Quarter Corporate Risk Register Review – Report of the Assistant Director Resources/Treasurer</u>
176	2	Exclusion of the Press and Public
		To consider whether, in view of the business to be transacted or the nature of the proceeding, the press and public should be excluded from the remainder of the meeting on the grounds that, if the press and public were present, there would be disclosure to them of exempt information.
		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.
177	161	<u>Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 13 June 2018</u> (Exempt category under paragraph 4 of the Local Government Act 1972) (<i>copy attached</i>)

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 10:00 hours on Wednesday, 13 June 2018.

Members Present: Councillors Galley (Chairman), Osborne, Peltzer Dunn and Sheppard.

Also Present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), E Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning and Improvement), M Matthews (Assistant Director Safer Communities), K Pearce (IT Governance Manager), S Milner (Planning & Intelligence Manager), M Polak (Programme Office Manager), S Neil, N Chilcott (Orbis – Internal Audit), S Higgins, P King (Ernst & Young), A Blanshard (Senior Democratic Services Officer)

145 DECLARATION OF INTERESTS

145.1 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

146 APOLOGIES FOR ABSENCE

146.1 Apologies were received from Councillor Lambert

147 URGENT ITEMS AND CHAIRMAN'S BUSINESS

147.1 There were none.

148 MINUTES OF THE SCRUTINY & AUDIT PANEL MEETING HELD ON 1 FEBRUARY 2018

148.1 **RESOLVED** – That the non-confidential minutes of the meeting of the Scrutiny & Audit Panel held on 1 February 2018 be approved as a correct record and signed by the Chairman. (*Copy in Minute Book*)

149 CALLOVER

149.1 Members reserved the following items for debate:

151 Internal Audit Annual Report and Opinion for the period 1 April 2017 to 31 March 2018

154 Internal Audit Review – GDPR Update

156 Assessment of the Corporate Framework and Annual Governance Statement for 2017/18

157 2016/17 Service Benchmarking Report

158 Performance Report for Quarter 4 and Year End Results for 2017/18

161 Programme Management Office Progress Report

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

150 **EXTERNAL AUDIT UPDATE AND FEE LETTER 2018/19**

150.1 The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of progress on the external audit of the 2017/18 financial accounts and the proposed external audit fee for 2018/19. (*Copy in Minute Book*)

150.2 **RESOLVED** – That the Panel:

- i) noted the progress on the external audit of the 2017/18 accounts;
- ii) noted the external audit fee for 2018/19; and
- iii) did not identify any further information or reassurance they required from the Authority’s external auditors, or any matters which they wished to raise with them.

151 **INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018**

151.1 The Panel received the report of the Assistant Director Resources/Treasurer which provided Members with the Chief Internal Auditor’s opinion on East Sussex Fire Authority’s internal control environment and reported on the work of Internal Audit for the period 1 April 2017 to 31 March 2018. (*Copy in Minute Book*)

151.2 The ADR/T explained to Members that Orbis’ Chief Internal Auditor had been able to provide reasonable assurance that the Fire Authority had in place an adequate and effective framework of governance, risk management and internal control. There were individual reports on these systems which had been evaluated by internal audit and included recommendations to enhance controls and management had drawn up action plans to implement these.

151.3 There had been only one report, GDPR Readiness that had not received a substantial or reasonable assurance opinion and this was presented before Members at this meeting as a separate item.

151.4 Members felt that overall it was a good report and that Officers were to be complemented on achieving these levels. Members queried why Accounts Receivable had been given an opinion of reasonable assurance and not substantial as all the other key financial systems had. The ADR/T explained that there had been two main reasons for this, firstly vacancies in the Finance team following HQ relocation had affected debt monitoring, but the Finance Manager now reviewing all debts outstanding over 90 days. Secondly, the report had identified some issues regarding charging for Large Animal Rescue that the ADOSR was following up.

151.5 **RESOLVED** – That the Panel:

- i) noted the Internal Audit Service’s opinion on the Fire Authority’s internal control environment for 2017/18; and

- ii) considered whether the Fire Authority's system for internal audit had proved effective during 2017/18.

152 INTERNAL AUDIT STRATEGY AND PLAN

- 152.1 The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided Members with the Internal Audit Plan for East Sussex Fire Authority covering the period 1 April 2018 to 31 March 2019. (*Copy in Minute Book*)
- 152.2 **RESOLVED** – That the Panel approved the 2018/19 Internal Audit Strategy and Plan.

153 IT STRATEGY UPDATE

- 153.1 The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of progress against delivery of the IT Strategy. (*Copy in Minute Book*)
- 153.2 **RESOLVED** – That the Panel:
 - i) acknowledged progress made against delivering the IT Strategy; and
 - ii) did not identify any areas where the Panel required further information or assurance.

154 INTERNAL AUDIT REVIEW – GDPR UPDATE

- 154.1 The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of the Authority's readiness for the implementation of the General Data Protection Regulations (GDPR) following a review by Internal Audit. (*Copy in Minute Book*)
- 154.2 Members were informed that in March 2018 Orbis Internal Audit had undertaken an audit assessment of ESFRS preparedness for the introduction of GDPR. The organisation had begun working towards compliance with the new legislation in 2015. The audit provided a partial assurance opinion and under the agreed protocol was reported in full to the Senior Leadership Team (SLT) and subsequently to this Panel.
- 154.3 The Panel were provided with an update on the high priority compliance issues that had been highlighted in the audit report. The ADR/T reassured Members that since the audit review had been carried out significant progress had been made in addressing these issues. However, it was clear that the Authority would not be fully compliant by 25 May 2018 when GDPR was implemented, but pro-active work to achieve compliant status was continuing and being tracked on a weekly basis.
- 154.4 The Chairman informed the Panel that the basic requirement, for the Authority to have a GDPR compliance plan had been achieved by the deadline and therefore he was not too concerned, governance had been put in place to address issues and the Authority was making good progress in information security improvements.

- 154.5 Members asked whether template privacy notices, to be added to email signatures, could be circulated as had been done by other Local Authorities. The IT Governance Manager agreed to investigate this and report back.
- 154.6 Officers added that a review of GDPR Compliance was included in the 2018/19 Internal Audit Plan (elsewhere on the Agenda). This was expected to be carried out in Quarter 3 and would be reported to a future meeting of the Panel.
- 154.7 **RESOLVED** – That the Panel:
- i) noted the results of the Internal Audit Review of GDPR;
 - ii) acknowledged progress made towards full GDPR compliance; and
 - iii) did not identify any areas where the Panel required further information or assurance.

155 IMD TRANSFORMATION – PROJECT CLOSURE

- 155.1 The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of the outcomes and lessons learnt from the IMD Transformation Programme Board. (*Copy in Minute Book*)
- 155.2 **RESOLVED** – That the Panel:
- i) noted the outcomes and lessons learnt from the IMD Transformation Project; and
 - ii) did not identify any further action required by officers as a result.

156 ASSESSMENT OF THE CORPORATE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT FOR 2017/18

- 156.1 The Panel received the report of the Deputy Chief Fire Officer (DCFO), Deputy Monitoring Officer (DMO) and Assistant Director Resources/Treasurer (ADR/T) setting out how the Fire Authority had assessed the effectiveness of its governance arrangements and seeking approval of the Annual Governance Statement in line with the Accounts and Audit Regulations 2015. (*Copy in Minute Book*)
- 156.2 Members were reminded that the Authority was 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 to accompany its Statement of Accounts. The review had been carried out by the Governance Group of senior officers in line with the Authority's Local Code of Corporate Governance.
- 156.3 The review had not identified any gaps in assurance over key risks or significant governance issues, and evidence showed that the Authority continued to have in place good arrangements for corporate governance and that they were working effectively. However, the Authority had identified a range of improvements to its corporate governance framework. Action Plans had been

put in place to address necessary improvements and would be monitored during the year.

156.4 The ADR/T explained that the draft Annual Governance Statement was included in the draft Statement of Accounts 2017/18 published on 31 May 2018, and that it had been approved by the Senior Leadership Team on 22 May 2018 prior to being presented to this meeting.

156.5 **RESOLVED** – That the Panel:

- i) confirmed that they were satisfied with the level of assurance provided to them through this report and the Authority's governance framework and processes;
- ii) noted that the following policies had been removed from the governance framework:
 - Sustainability (covered under Strategy template)
 - Environment (covered under Strategy template)
 - Partnership (replaced by Collaboration Framework)
- iii) did not identify any significant governance issues that should be included in the Authority's Annual Governance Statement; and
- iv) approved the Annual Governance Statement for signing by the Panel Chairman and Chief Fire Officer.

157 **2016/17 SERVICE BENCHMARKING REPORT**

157.1 The Panel considered the report of the Assistant Director Planning & Improvement (ADP&I) which presented Members with the Fire Statistics for 2016/17 and comparative benchmarking of East Sussex Fire & Rescue Service against its family group in order to provide context to support the Authority's future decision making. (*Copy in Minute Book*)

157.2 The ADP&I explained to Members that the report provided a summary of the national context across Fire & Rescue Service performance with key findings from the Fire & Rescue Incident Statistics and an in depth comparison against the twelve other services within ESFRS family group.

157.3 Members were concerned that ESFRS were completing the lowest number of Fire Safety Audits and wanted clarification on the difference between a Home Safety Visit and a Fire Safety Audit. The ACFO explained that Home Safety Visits were conducted at domestic dwellings and Fire Service Audits were completed on non-domestic properties. He added that following visits to other Fire & Rescue Services to see how they conducted theirs, Fire Safety Audits were to be delegated to Firefighters as part of pilot programme commencing in July. As a result of this change, it was anticipated that ESFRS would work its way towards the middle of the table by next year.

157.4 Members queried why, despite a reduction, ESFRS were not as low on the table regarding Accidental Dwelling Fires and False Alarms as comparable services. The ACFO explained that this was as a result of the data being a year behind where the Service was now. Reducing accidental dwelling fires had been a high

priority this year, ESFRS had increased the number of Home Safety Visits and had achieved the lowest number of Accidental Dwelling Fires in the existence of the Service.

157.5 Work on reducing false alarms was a Service priority and it was undertaking a demand management review, working to establish whether the false alarms were at Commercial premises or residential buildings and addressing them appropriately. Members requested that if it were possible they would like the false alarm figures to be presented by commercial and residential separately.

157.6 **RESOLVED** – That the Panel:

- i) considered the results of the report; and
- ii) directed the Service into any areas of performance not highlighted in the report that it would like to see further investigation into.

158 PERFORMANCE REPORT FOR QUARTER 4 AND THE YEAR END RESULTS FOR 2017/18

158.1 The Panel received the report of the Assistant Director Planning & Improvement (ADP&I) which presented Members the fourth quarter and year end performance results for 2017/18. (*Copy in Minute Book*)

158.2 Members were informed that the full results for Quarter 4 had not been available due to reporting issues following the go live of the SCC 4i mobilising system, there had been an issue with the interface between 4i and the e-IRS (electronic-incident recording system), this was being worked on and it was anticipated that it would be resolved by the end of May. In the interim, data was being captured through an internal manual process and would be added into the proper system once resolved.

158.3 **RESOLVED** – That the Panel:

- i) considered performance results and progress towards achieving the Service's purpose and commitments;
- ii) considered the performance results and remedial actions that had been taken to address areas of underperformance in the Fire Authority's priority areas; and
- iii) noted that it was anticipated that full year end results would be available for the performance outcome report, normally presented to the Panel in September.

159 2017/18 FOURTH QUARTER CORPORATE RISK REGISTER REVIEW

159.1 The Panel received the report of the Assistant Director Resources/Treasurer which reported to Members on the latest quarterly review of Corporate Risk. (*Copy in Minute Book*)

159.2 **RESOLVED** – That the Panel considered and approved the latest Corporate Risk Registers.

160 CORPORATE PROJECTS PROGRESS REPORT 2017/18 – QUARTER 4

160.1 The Panel received the report of the Deputy Chief Fire Officer (DCFO) which provided Members with an update on the current status of ten key corporate projects. (*Copy in Minute Book*)

160.2 **RESOLVED** – That the Panel noted the contents of the report.

161 PROGRAMME MANAGEMENT OFFICE PROGRESS REPORT

161.1 The Panel received the report of the Deputy Chief Fire Officer (DCFO) which informed Members of the progress made with the establishment of the Programme Management Office. (*Copy in Minute Book*)

161.2 The Programme Officer Manager (POM) gave an overview to Members around where the Service was in terms of the establishment of its Programme Management Office (PMO). Funding had been agreed as part of the 2015/16 budget and the POM had been appointed in 2016 to establish the PMO. She had been utilised to project manage the move from Eastbourne to the shared HQ at Lewes, presenting a closedown report to SLT in November 2017. In conjunction with this the establishment of the PMO had continued with a proposal for a new PMO model submitted to SLT in October 2017.

161.3 Members were informed that the new team was being set up to deliver major projects and programmes on behalf of the service, providing a consistent approach to project management, ensuring appropriate standards were met and that projects delivered anticipated benefits within planned timescales and budgets.

161.4 Members asked whether all projects would now come under the PMO. The POM explained that small projects would still be run by individual teams, but all projects that were larger with cross business impact would be run by the PMO.

161.5 **RESOLVED** – That the Panel noted the contents of the report.

162 END OF YEAR HEALTH & SAFETY STATS REPORT 2017-18

162.1 The Panel considered the report of the Assistant Director Training & Assurance (ADT&A) which presented the year end health and safety statistics (April – March 2017/18). (*Copy in Minute Book*)

162.2 **RESOLVED** – That the Panel:

- i) Considered both Quarter 4 and the year end health and safety statistics for 2017/18 as set out in the report;
- ii) continued to monitor and scrutinise performance over the forthcoming year; and
- iii) did not identify any areas where Members required further assurance.

EAST SUSSEX FIRE AUTHORITY

Panel Scrutiny and Audit Panel

Date 26 July 2018

Title of Report Contract Standing Orders Waivers Summary April 2018 to date

By Claire George, Procurement Manager

Lead Officer Duncan Savage, AD Resources/Treasurer

Background Papers None

Appendices None

Implications

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

PURPOSE OF REPORT: To appraise the Panel of the waivers granted thus far in financial year 18/19, as per CSO requirement 7.4

EXECUTIVE SUMMARY: The Treasurer, after consultation with the Procurement Manager, Deputy Monitoring Officer and the Chairman, has approved a total of 4 (four) waivers in this financial year to date.

Each was considered on the basis that the Authority could achieve value for money and that the purchase was below the threshold of the Public Contract Regulations 2015 and therefore subject to internal governance arrangements only.

No waivers were granted on the basis of expediency alone. In the main the waivers were granted in order to support and further enhance collaborative arrangements with our Bluelight partners or were due to limited market options.

RECOMMENDATION: The Panel is requested to note the contents of the report and to consider whether any further information is required.

1 WAIVERS GRANTED

- 1.1
 1. Programme Management Office - Fixed Term Appointment (April)
 2. Occupational Health – Provision of Psychological, Physiotherapy & Medical Doctor Services (May)
 3. Vehicle Conversions (June)
 4. HQ Shuttle Bus (July)

2 SUMMARY OF EACH WAIVER

2.1 Programme Management Office - Fixed Term Appointment

This specific case relates to a proposed fixed term appointment of a Business Analyst to support the establishment of the Programme Management Office.

The Authority's existing agency framework has limitations in terms of specialist/executive roles and was unable to fulfil the role and therefore an alternative was sought, via Vector Resourcing Ltd.

Previous spend with Vector for project management / business analyst resources to support other projects has already exceeded the £50k threshold at which CSOs require a formal tender.

The appointment was agreed on the basis that there would be no further spend with Vector and that Procurement would liaise with HR to review our agency arrangements to secure enhanced flexibility for temporary resourcing in the future.

The contract value is expected to be circa £26,000.

2.2 Occupational Health – Provision of Psychological, Physiotherapy & Medical Doctor Services

The Authority has joined collaborative Occupational Health Service, with Surrey Sussex Police and Surrey Fire & Rescue Service.

The Authority were required to replicate the Surrey Sussex Police contracts for an interim period, to service the gap between the termination of our previously outsourced provision and the re-procuring of the Police contracts, under the new model.

This collaboration is intended to enhance staff wellbeing and increase resilience, therefore enabling partners to discharge their statutory duties to the public more effectively. Co-terminus arrangements with our partners, facilitated by these interim agreements, was not only crucial to support 'Go Live', it will also enable partners to go to the market as one entity upon expiry, which in turn may realise further benefits, in terms of streamlining our approach & accessing economies of scale.

Contract spend for the maximum term of 25 months is £16,438.

2.3 **Vehicle Conversions**

Waiver requested for the planned conversion of 20 Hyundai Tucson via Sussex Police.

Quotations were sought from the open market. Suppliers were capable of basic conversions, however most were not licensed or capable of fitting our secure Airwave radios.

Sussex Police are licensed and their hourly rate compared favourably to our existing engineering contract labour rates.

Utilising the Police services for this conversion allowed us to test how the process will work as part of the Integrated Transport Function (ITF) and supports the collaboration agenda.

On any occasion, should spend exceed the EU threshold, the Authority will conduct a fully OJEU compliant procurement. Going forward, the ITF will need to address the wider implications of remaining compliant with the EU Regulations and this is under consideration.

Contract value £114,500.

2.4 **HQ Shuttle Bus**

As part of the HQ Relocation project in early 2017, the Authority procured a shuttle bus service based on competitive quotations.

A waiver was sought to extend the contract for a period, to allow time to run the procurement exercise. An Invitation to Tender will be published in early September, by which time local school contracts should have been embedded and therefore, potential suppliers will have a better understanding of their remaining capacity to fulfil.

Award of the new contract is anticipated at the end of November 2018.

Total contract value £65,000.

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting Scrutiny & Audit Panel

Date 26 July 2018

Title of Report Safety Events Statistics Report – Quarter 1 2018/19

By Hannah Scott-Youlton, Assistant Director Training & Assurance

Lead Member Cllr Stuart Earl

Appendices Appendix A – Full breakdown of statistics

Background Papers Health, Safety & Wellbeing Strategy (2017-2020)

Implications

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

PURPOSE OF REPORT To appraise the Scrutiny & Audit of the safety events recorded for Quarter 1 (April - June) 2018/19.

EXECUTIVE SUMMARY This Scrutiny & Audit report summarises safety events data and hazard reports received by the HSW Team for Quarter 1 2018/19.

This report also includes the first quarterly report for the shared 3F KPIs.

RECOMMENDATION The Scrutiny & Audit panel is asked to:

- i. consider the Quarter 1 health and safety statistics for 2018/19 as set out in the report;
- ii. continue to monitor and scrutinise performance over the forthcoming year; and

- iii. identify any areas where Members require further assurance.

1 INTRODUCTION

- 1.1 This report contains Quarter 1 statistics for 2018/19, compared with 2017/18 of ESFRS performance against the Health & Safety lagging indicators.

2 MAIN ISSUES

- 2.1 A full breakdown of the statistics can be found in appendix a. However, below provides a narrative around the statistical data for Quarter 1 statistics.

2.2 Indicator No. 1 - The number of safety events received

There were 69 Level 1 Safety Events reported to the HSW Department in Q1 and they are spread across the four category types of incident as:

Injury sustained	19
Vehicle accident	14
Near Hit	33
Damage to premises/equipment	3

This compares with 51 safety events reported in the same quarter in 2017-18. There has been a noted rise in the number of near hits and 19 of these relate to the Mobile Data Terminals issues following go-live for 4i. The other indicators will give further breakdown into the accident types across these categories e.g. slips/trips, manual handling etc.

2.3 Indicator No. 2 – The number of RIDDOR¹ incidents

There were 0 RIDDOR reportable incidents in Q1 as compared with 3 in Q1 last year.

2.4 Indicator No. 3 – The number of manual handling incidents

There were 4 manual handling injuries reported in Q1 as compared with 6 in the same quarter last year.

1 injury was a back strain at a special services call, lifting a patient at a time critical removal.

The second injury was a strain to the neck whilst cutting away OSB (chipboard) above head height at an operational incident.

One was a back strain whilst manoeuvring a vehicle back into the RTC compound following training on station.

¹ RIDDOR – “Reporting of Injuries, Diseases & Dangerous Occurrences Regulations 2013. RIDDOR puts duties on employers to report certain workplace accidents, occupational diseases and specified dangerous occurrences (near misses).” Health & Safety Executive

The last was a member of support staff moving equipment following an event causing neck strain.

The Service Fitness Adviser has followed up with these individuals to support them with any recovery and strengthening exercises to help prevent future injuries.

2.5 **Indicator No. 4 – The number of slips, trips and falls**

There were 4 reports of slips, trips and falls in Q1 2018/19 compared with 2 in 2017/18. Three of these injuries occurred at operational incidents:

- One slip whilst wearing BA and carrying out personal search;
- One laying out hoseline to ground monitor and slipped on uneven surface in scrap yard;
- One whilst tackling fire on garden decking, foot went through decking causing a strain to the calf muscle.

The remaining injury occurred during fitness training and injury was sustained to the calf muscle whilst skipping.

Historically, this type of injury 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.

2.6 **Indicator No. 5 – The number of vehicle collisions**

The number of vehicle collisions has increased in Q1 to 14 and this is slightly higher when comparing this with the performance in Q1 in 2017/18 when there were 13 vehicle accidents.

The causes are as follows:

- Low speed reversing impacts – 1 (boundary wall)
- Impact with other objects 9 (objects include branches – 3, another vehicle – 2, pillar/stump/barrier/gate – 4)
- Being struck by another vehicle - 2
- Vehicle damage, cause unknown - 1
- Puncture from foreign object - 1

Overall, in 2017/18 there had been a 20% decrease in the number of vehicle incidents and this is despite a significant increase in the number of events reported in quarter 4 of 2017-18. Again, significant effort has been put into training and standardisation of bay door timings to try to minimise these types of incident.

2.7 **Indicator No. 6 – The number of incidents where working time was lost**

There was 1 incident of lost working time in Q1 when compared with 7 incidents in 2017/18.

This is the training incident previously mentioned in slips/trips & falls (skipping injuring calf muscle).

2.8 **Indicator No. 7 – The number of incidents of work-related violence**

There were 0 reports of work related violence in Q1 which matches Q1 in 2017/18.

Incidences of work-related violence remain very low.

2.9 **Indicator No. 8 – The number of incidents of stress**

There were 0 reports of work related stress in Q1 compared to 3 in Q1 in 2017/18.

2.10 **Indicator No. 9 – The number of near hits²**

In Q1 there were 33 reports of near hits which is significantly higher than the 17 reported in 17/18. 19 of these relate to the Mobile Data Terminal issues experienced following 4i go-live. The remaining 14 cover a wide variety of issues which are broken down below:

- 1 failure of 1:7 foam system when training
- 4 absence of soundshields at SCC causing temporary auditory discomfort.
- 1 fallen ceiling tile, nobody struck (SCC)
- 1 BA set went into free flow during drill. Set defected and Level 2 Investigation allocated
- 1 failure of Skyguard lone working device during testing. Lone working for CSA's currently suspended while issues with device are addressed.
- 1 potential smoke exposure for control box operators at STC
- 1 poor radio quality at fire incident (persons reported). Ops are progressing procurement of intrinsically safe radios with increased wattage to address quality issues
- 1 CO₂ extinguisher fell out when appliance locker opened
- 1 The prime mover suspension was not reset by contractors after completing maintenance work. Banksman noticed added height as vehicle was reversing into bay and stopped the vehicle before it struck the ceiling. Instruction issued to contractor via Engineering to reset vehicle suspension height when works are completed and confirmation given when vehicle handed back
- 1 PTO pump failure at incident
- 1 protector at top of ladder fell and struck firefighter helmet. No injury as PPE was worn

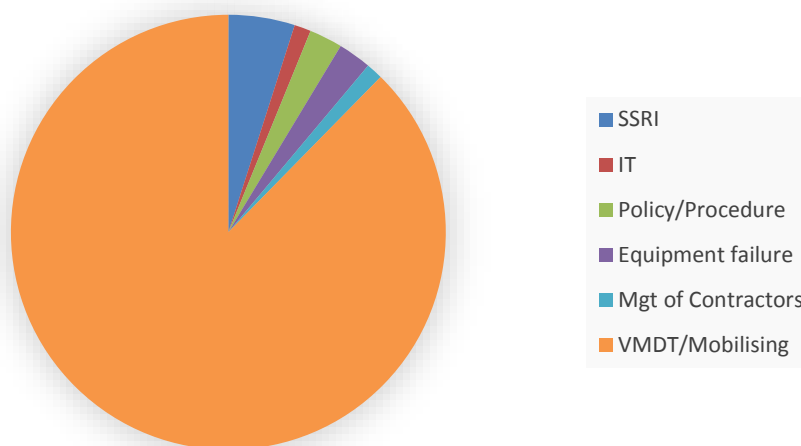
3 **Hazard Reports**

3.1 In the first quarter of 2018/19 the HSW Team received a total of 81 Hazard Reports, broken down into the six categories in the Pie Chart below. To put this into context in 2016/17 the Service received a total of 34 for the whole year, in 2017/18 the HSW

² Near hit -

Team saw a 126% increase to 77 in a year. In the first quarter of 2018/19 there has been an uplift of 105% on the previous year's reports with the remainder of the year still to be added to this total.

Hazard Reports Q1 2018/19



3.2 **Mobile Data Terminals (VMDT)/Mobilising:** It can be seen in the Pie Chart that 88% of these (71) relate to VMDT/Mobilising issues following the introduction of 4i. The Service has instigated a joint investigation between Operations and the FBU on the various issues raised. Recent communications on the initial findings have shown:

3.3 Fitting of complete fleet with Airwave cable

Since 4i go-live, the Airwave radio network has used as a 'bearer' to transmit and receive data between SCC and appliance MDTs. To achieve this, a cable is fitted between the Airwave radio and the MDT. The investigation found that the cable had not been fitted to a small number of appliances. During pre-go-live testing, this would have been masked as there are other back-up bearers through which the MDT receives the data. All missing cables have now been installed.

3.4 Station Wi-Fi installations

Telent have completed a survey of all stations and identified some that had Wi-Fi issues, such as Preston Circus, where boosters are now fitted. This had caused some failures as the primary connection for an MDT to receive a call whilst on station is through the Wi-Fi. This again may have been masked during go live testing by the appliance not being parked in that black spot, or receiving the call by one of the backup bearers.

3.5 Station Firecoders

A Firecoder is an item of communications equipment fitted at each fire station. It receives data from the Sussex Control Centre regarding incidents that appliances at the station are required to attend. The Firecoder translates the data into actions, including operating station turn-out systems, lights and alerters. A range of problems have been identified in some units, including the failure of a memory card which

contains the operating system. To overcome this Telent have developed a new configuration which uses solid state hard drives to replace the memory cards, which are faster and more reliable. On some stations such as Crowborough, Preston Circus and Barcombe the Firecoder has been replaced.

3.6 **Defective MDTs**

It has been identified that some MDTs are prone to failure when an appliance passes over uneven ground, including road traffic calming measures. To resolve this issue, MDTs are now being fitted with solid state hard drives. These are faster and much less prone to failure under normal road conditions.

3.7 **Status Summary**

In recent weeks, and following a focussed programme of improvement work on our IT systems, we have seen a significant reduction in the number of bearer problems and faults logged, and an improvement in the resilience and functionality of our systems. With the solutions and mitigation now put in place, some of which are outlined above, the Service believes we will continue to see steady improvements.

- 3.8 **Site Specific Risk Information (SSRI):** 4 Hazard reports were received (5%) all relating to risk critical data on Site Specific Risk Information documents not being able to be uploaded to VMD terminals on fire appliances and therefore SSRIs not available for all operational crews to access. This has been raised with Ops, Telent and ITG for resolution, with the immediate action taken of local distribution of paper copies of high/medium & low risk SSRI's.

Status summary on the IT resolution as of 29 June 2018 is that, Telent have populated the VMDTs with the risk information up to 11 June so they do have all the risks to operate.

The agreed action plan is:

- Step 1 – Regenerate all the risk information (Reboot/Button press)
- Step 2 – validate the Risk Cards are all complete and up to date.
- Step 3 – release to the VMDT's
- Step 4 – review all documentation and ensure all parties are fully understanding of the processes.

- 3.9 **IT:** 1 Hazard Report notifying the Service that all manual notes had 'disappeared' from the intranet and therefore safety critical information was not available to personnel. HSW contacted ITG/Telent and a software upgrade had resulted in all manual notes being unavailable. HSW Team also tested online reporting (Safety Events and Hazard reports) and found that these were also unavailable. The fault was rectified the same day as the Hazard Report was submitted and all documents and reports were restored.

- 3.10 **Policy/Procedure:** 2 Hazard Reports were submitted (2%). The first report was that the Service has failed to communicate the agreed and correct working practices to its staff in relation to VMDT's during the investigation period. The working practice agreed between the CFO and FBU was that there would be no usage of the VMDT's whilst

there were issues with failures and a full investigation takes place. At present Station Managers are unaware of this working practice as are SCC and all ESFRS Staff. The reason for the lack of understanding is the service has failed to communicate this default safe working practice to all staff. This report was received on 31 May 2018 and the Service put out service wide communications on 1 June 2018.

3.11 The second report was that following an operational incident, appliances had significant equipment shortages including vital pieces of equipment used to obtain water supplies at fires (e.g. stand pipe key and bar missing). Equipment Shortage Forms had been completed following incident but there were delays in replacing equipment. This policy and the procedures are being reviewed with colleagues in Engineering.

3.12 **Equipment Failure:** 2 Hazard Reports were submitted (2%). The first reporting that BA fist mic's are unfit for purpose as the PTT button is far too small and impossible to use easily in gloved hands and in dark and difficult working conditions.

The second report was that the hand held radios are not fit for purpose as they were receiving constant feedback.

3.13 **Management of Contractors:** 1 Hazard Report received (1%). This report has already been submitted as a near hit and was also submitted as a Hazard Report as there are broader issues about SSOWs, adequate training for drivers and the handover of equipment/appliances/services once contractors have completed their work. The incident relates to the Prime Movers at Hove and contractors had changed the tyres on the vehicles in the Station yard. The contractors had raised the suspension on both vehicles to complete this task and did not return the suspension of the vehicles to the normal ride height. Contractors then left the vehicles in the station yard when the duty watch were off station. On return to station the HVP Prime Mover was being reversed back into the bays with the assistance of a banksperson. The banksperson stopped the vehicle reversing as it almost hit the pipework on the ceiling of the appliance bays, due to the suspension being raised by contractors. Drivers of Prime Mover vehicles have never been trained in the operation of raising and lowering the suspension on Prime Mover vehicles. Actions taken were, all watches at Hove were emailed to let them know of the near hit and reminder to always have banksperson when being seen back. A Safety Event Near Hit form has been completed and sent to Health and Safety. The Station Manager, Borough Commander and Engineering have also been informed of the near hit. Driver Training have been asked to provide training for all drivers of Prime Mover vehicles in how to raise and lower the suspension of Prime Mover vehicles. Engineering have been instructed to review handover procedures with these specific contractors and to review and confirm these procedures for all other contractors and this review will also be extended to Estates and the contractors they engage to ensure that handover information is given (particularly when crews are not on station). The crew at Hove should be commended for their diligence and the immediate actions they took following the incident and the completion of the Level 1 Safety investigation.

3.14 **Summary**

In the first quarter of this year it is again evident that the pattern of hazard reports is indicative of key changes in the service during this period. As was discussed at the

last HSWC the hazard reporting procedure does seem to reflect and highlight policy, procedural, equipment and appliance changes and where these are bedding in and perhaps not operating effectively. It presents the service with an opportunity to revisit and review these in light of the Hazard Report submissions.

4 3F KEY PERFORMANCE INDICATORS: Q1 2018/19

4.1 As part of the 3F Collaboration Work the Health and Safety Group have identified some shared KPIs against which the 3 fire services are going to start comparing their performance. This is the first time that these KPIs have been reported on.

KPI OHSW1: Reduce number of overall workplace safety events (injuries only) to 103 or below.

In order to set this KPI for ESFRS, the injury only stats for the last 3 years are as follows:

2015/16	2016/17	2017/18
108	111	108

4.2 The average over the 3 year period is 109 injuries, with the target of a 5% reduction as ESFRS KPI. So the target is 103 injuries or below.

KPI OHSW3: Reduce to or less manual handling injuries

In order to set this KPI for ESFRS, the injury only stats for the last 3 years are as follows:

2015/16	2016/17	2017/18
30	23	21

4.3 The average over the 3 year period is 25 injuries, with the target of a 10% reduction as ESFRS KPI. So the target is 22 manual handling injuries or below.

KPI OHSW5A: Reduce the number of instances of absence 'lost time safety event injuries' by 5% on the previous year – Operational personnel

The Service has previously collated this data. It has recorded the lost time safety event injuries for all Service personnel rather than for operational personnel only. Having said that, historically, the majority of the lost time injuries have been for operational personnel and so as a starting KPI this will be based on a 5% reduction of the average of the previous 3 years data.

The lost time safety event injuries data for the last 3 years is as follows:

2015/16	2016/17	2017/18
20	26	26

4.4 The average over the 3 year period is 24 lost time safety event injuries, so this gives a target, with a 5% reduction, of 23 lost time safety event injuries.

KPI OHSW5B: Reduce the number of lost time days/shifts as a result of safety event injuries by 5% on the previous year – Operational personnel

4.5 This data has not been collected for the Service previously and so, once the first full years' worth of data has been collated, the KPI target for next year will be set.

KPI OHSW5C: Reduce the number of lost time days/shifts as a result of safety event injuries by 5% on the previous year – Support personnel

4.6 This data has not been collected for the Service previously and so, once the first full years' worth of data has been collated, the KPI target for next year will be set.

4.7 **KPI OHSW7A:** Reduce the overall number of days/shifts lost to psychological ill health related sickness absence on previous year - All staff - Non work related

And **KPI OHSW7B:** Reduce the overall number of days/shifts lost to psychological ill health related sickness absence on previous year - All staff - Work related

4.8 The data for both of these new KPIs has not been collated by the Service previously. HSW working with colleagues in HR will begin to collate this information and then will set a more informed target for next year, based on the first year's data.

KPI Ref.	KPI Description	Q1	Q2	Q3	Q4
OHSW1	Reduce number of overall workplace safety events (injuries only) to 103 or below	19			
OHSW2	Reduce the number of vehicle collisions due to 'human behaviour' to or below (exclude 3 rd party fault and vandalism)	10			
OHSW3	Reduce to 22 or less manual handling injuries	4			
OHSW4	Percentage of safety events where management action has been completed against the number of safety events reported	34/69 49%			
OHSW5A	Reduce the number of instances of absence 'lost time safety event injuries' by 5% on the previous year –Operational personnel (25)	1			
OHSW5B	Reduce the number of lost time days/shifts as a result of safety event injuries by 5% on the previous year – Operational personnel	6			
OHSW5C	Reduce the number of lost time days/shifts as a result of safety event injuries' by 5% on previous year - Support personnel	0			
OHSW6	Monitor the number of RIDDOR reports	0			
OHSW7A	Reduce the overall number of days/shifts lost to psychological ill health related sickness absence on previous year - All staff - Non work related	-			
OHSW7B	Reduce the overall number of days/shifts lost to psychological ill health related sickness absence on previous year - All staff - Work related	0			

5 CONCLUSION

- 5.1 The Service will continue to analyse and report on Hazard Reports in 2018/19 to determine further trends and the potential correlation to staff confidence when change programmes are implemented into the Service.

Appendix A

FULL BREAKDOWN OF HEALTH & SAFETY STATISTICS

	Per quarter 2018/19				2018/19	2017/18	2016/17	2015/16
	Q1	Q2	Q3	Q4				
1. Number of safety events received	69				69	221	234	224
2. Number of RIDDOR incidents	0				0	15	9	3
3. Number of manual handling Incidents	4				4	21	23	30
4. Number of slips, trips & falls	4				4	29	19	18
5. Number of vehicle collisions	14				14	48	60	44
6. Number of incidents where work time lost	1				1	26	26	20
7. Incidence of work-related violence	0				0	5	8	4
8. Incidence of stress	0				0	8	9	3
9. Number of near hits	33				33	65	46	61

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny & Audit Panel

Date 26 July 2018

Title of Report External Auditor’s Audit Results Report (ISA 260) and Statement of Accounts 2017/18

By Duncan Savage, Assistant Director Resources/Treasurer

Lead Officer Duncan Savage, Assistant Director Resources/Treasurer

Background Papers None

Appendices

1. External Auditor’s Audit Results Report (ISA 260)
2. 2017/18 Statement of Accounts
3. Letter of representation

Implications

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

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 2017/18 Statement of Accounts.

EXECUTIVE SUMMARY The Authority’s External Auditor, Ernst & Young (EY), 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.

EY has substantially completed its audit of the Authority’s financial statements for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in their report, EY expect to issue an unqualified audit opinion on the financial statements before the statutory deadline of 31 July 2018 and will provide a verbal update at the meeting.

It is pleasing to note that EY 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 Representations. EY has reported a non-material difference of £188,000 in relation the Authority's share of pension fund assets. This is a result of the Actuary using Pension Values as at 31 December 2017 as the basis for their calculations. Use of estimates is necessary to meet the earlier statutory deadline for the preparation and audit of the accounts.

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

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

The planned scale fee for the audit was £30,766. EY has indicated that an additional charge of £1,500 will be levied, subject to the approval of PSAA, as a result of a review by their Real Estate team of the outcomes of the Authority's Property Plant and Equipment valuations and the change of the Authority's valuer. The resulting requirement to value the whole estate rather than a proportion as planned resulted in an additional cost to the Authority of c£10,000. During the audit EY requested additional information from the auditors of the East Sussex Pension Fund (ESPF) as part of their IAS19 review. We understand that this resulted in an additional charge to ESPF and they may choose to pass this on to this Authority.

RECOMMENDATION

The Panel is asked to:

- i) note the External Auditor's Audit Results Report (ISA 260);
 - ii) authorise the Assistant Director Resources / Treasurer to sign the formal letter of representation to the External Auditor; and
 - iii) approve the 2017/18 Statement of Accounts for publication.
-

**East Sussex Fire
Authority**
Audit results report
Year ended 31 March 2018

12 July 2018

Private and Confidential

12 July 2018

Dear Scrutiny and Audit Panel Members

We are pleased to attach our audit results report for the forthcoming meeting of the Scrutiny and Audit Panel. This report summarises our audit conclusion in relation to the audit of East Sussex Fire Authority for 2017/18.

We have substantially completed our audit of East Sussex Fire Authority (the Authority) for the year ended 31 March 2018.

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 at Section 3, before the statutory deadline of 31 July 2018.

We are reporting a number of matters 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 and 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 welcome the opportunity to discuss the contents of this report with you at the Scrutiny and Audit Panel meeting on 26 July 2018.

Yours faithfully

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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 February 2017)" 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 Scrutiny and Audit Panel and management of East Sussex Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Scrutiny and Audit Panel, 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 and Audit Panel 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 our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the 1 February 2018 Scrutiny and Audit Panel meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with that plan, other than the change to our assessment of risk in respect of the valuation of Land and Buildings as set out below.

We have changed our assessment of the risk to the valuation of Land and Buildings from an 'other risk' to a significant risk, due to the findings from our work during the interim audit.

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.051m (Audit Planning Report – £1.04m) for the main financial statements and £222,000 (Audit Planning Report £218,000) for the pension fund. This results in updated performance materiality, at 75% of overall materiality, of £789,000 for the main financial statements and £166,000 for the pension fund, and an updated threshold for reporting misstatements of £52,000 for the main financial statements and £11,000 for the pension fund.

We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- ▶ Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values

Status of the audit

We have substantially completed our audit of East Sussex Fire Authority's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. 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 set of financial statements**
- ▶ **Final Associate Partner review of the audit work**
- ▶ **receipt of the signed management representation letter**
- ▶ **Completion of subsequent events review**

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

Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Scrutiny and Audit Panel and included in the Letter of Representation. The unadjusted difference relating to the Authority's share of the difference between the actuary's estimation of the Pension Fund value and the actual Fund value at 31 March 2018 was calculated as £188,000. We agree with management's assessment that the impact is not material.

We did not identify any adjusted audit differences.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of East Sussex Fire 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. In our Audit Planning report we identified asset valuations as an area of audit focus, or an 'other' risk. Due to our findings from our interim testing of the asset valuations and the agreement with the Authority that you needed to revalue the remaining properties in your portfolio, we increased this to a significant risk.

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 and Audit Panel.

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.

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.



Executive Summary

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 £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:

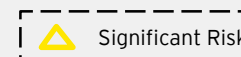
- ▶ IAS 19 disclosures; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- ▶ Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- ▶ Formed an expectation of the movements we expected to see in the Balance Sheet from the prior year, based on our review of minutes and reports and meetings with officers through the year. We reviewed, gained an understanding of and tested the movements in accounts receivable and accounts payable balances within the Balance Sheet from the prior year and challenged where those movements were outside our expectations.
- ▶ Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
 - ▶ IAS 19 disclosures; and
 - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

We found that the valuation method for the IAS 19 disclosures has not changed from prior years. The Authority changed their valuers in 2017/18. The valuers changed the valuation methodology for three properties to one they felt more appropriate for the type of property, the changes have been assessed and deemed reasonable. We had identified a risk regarding the asset valuations and our findings are detailed on pages 11 and 12.

- ▶ Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.



Areas of Audit Focus

Significant risk

Valuation of Land and Buildings

What is the risk?

We initially identified the valuation of land and buildings as an area of audit focus in our Audit Plan. The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We identified at our interim audit that the new valuers had identified errors in the base data supporting the valuations of a number of assets and that they had changed the valuation methodology on other assets. The Authority usually use an indexation method to uplift the assets not valued in the year. Given the variances in the valuations performed by the valuers, we undertook advice from EY Real Estate and agreed with the Authority that the total population of properties required revaluation as at 31 March 2018.

What judgements are we focused on?

As part of our work we focused the key judgemental areas within asset valuations, such as the floor areas used to generate the valuations and the method used for valuing certain assets.

We reviewed the accounting estimate of asset valuation for evidence of management bias.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for further details. We have:

- ▶ Considered the work performed by the Authority's valuers (Flude Commercial), this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (Average build costs based on RICS information)
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements,
- ▶ We have placed assurance on the valuer visiting the properties to measure them for our valuations and existence testing.

What are our conclusions?

We are satisfied that the asset valuations have been reflected in the financial statements and are based on accurate supporting information.





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

The Authority changed their valuers in 2017/18. The Authority planned to continue its cyclical valuation plan of valuing one third of the properties each year (ten out of 26 properties).

The valuers changed the valuation methodology for three properties to one they felt more appropriate for the type of property and they also identified a number of errors in the areas/usage used to prepare the valuation of other properties, compared to prior valuations. There were also a number of changes in valuation that related to specific reasons such as some movements in value being more significant on individual assets due to recent refurbishments making the depreciation rate much lower.

For the most significant movements the Authority sought clarification from the valuers and their explanations appear reasonable and we have reviewed this and been able to corroborate the explanations.

As a result of the issues above, the valuations showed a marked differences from prior years, which made it difficult to use the increase in values as an indexation to update the valuation of the remaining properties. We consulted with EY valuation specialists and concluded that we could not support using the indexation method to value the remaining sixteen properties. The Authority instructed the valuers to revalue the remaining properties.

We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.

Our review of the additional property valuations has not identified any issues.



Areas of Audit Focus

Other risk

Pension asset valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by East Sussex County Council and the Firefighters' Pension Scheme.

The Authority's pension fund liabilities are material estimated balances and the Code requires that these liabilities be disclosed on the Authority's balance sheet. At 31 March 2017 this totalled £395 million.

The information disclosed is based on the IAS 19 reports issued to the Authority by the actuaries to the two pension schemes.

Accounting for these schemes involves significant estimation and judgement and therefore management engages actuaries to undertake the calculations on its behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- ▶ Liaised with the auditors of East Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Sussex Fire Authority;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

We identified that the Fund value at 31 March 2018 used by the actuary in their report was understated. The actuary uses the Fund value as at 31 December 2017 and estimates how Fund performance will affect the values as at 31 March 2018. The Fund performance was higher than the benchmark in Quarter 4 and this caused the difference between the actuary's estimate and the actual Fund value to be significant for 2017/18. East Sussex Fire Authority's share of the difference was calculated as £188,000. Given that this is not significant, we agreed with Officers that the financial statements should not be amended. This has therefore been included in the schedule of unadjusted audit differences in section 4.

What are our conclusions?

We are satisfied that the required IAS 19 disclosures have been reflected in the financial statements and are based on accurate supporting information.



Areas of Audit Focus

Other risk

Earlier deadline for production of the financial statements

What did we do?

We have:

- ▶ Worked with the Authority to engage early to facilitate early substantive testing where appropriate.
- ▶ Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Worked with the Authority to implement EY Client Portal, this:
 - ▶ Streamlined our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provided on -demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduced risk of duplicate requests; and
 - ▶ Provided better security of sensitive data.
- ▶ Agreed the team and timing of each element of our work with you; and
- ▶ Agreed the supporting working papers that we require to complete our audit.

What is the risk?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial 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 accounts by 31 July.

These changes provided risks for both the preparers and the auditors of the financial statements.

The Authority now has less time to prepare the financial statements and supporting working papers. Risks to the Authority include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we required:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Authority staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions.

If we were unable to meet key dates within our agreed timetable, we notified you of the impact on the timing of your audit.

Where additional work was required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we notified you of the impact on the fee and the timing of the audit.

What are our conclusions?

The risk did not crystallise and that we anticipate being in a position to issue the audit report by the 31 July deadline.



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

We have audited the financial statements and the firefighters' pension fund financial statements of East Sussex Fire Authority for the year ended 31 March 2018 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 37,
- ▶ The firefighters' pension fund financial statements comprising the Fund Account, the 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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on

Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [authority/group] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Assistant Director Resources / Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Assistant Director Resources / Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative report set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The Assistant Director Resources / Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express

Draft audit report

Our opinion on the financial statements

any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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

Responsibility of the Assistant Director Resources / Treasurer

As explained more fully in the Statement of the Assistant Director Resources / Treasurer's 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Director Resources / Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

Draft audit report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 C&AG in November 2017, 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 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 2018.

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.

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.

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.

Use of our report

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.



Audit Report

Draft audit report

Our opinion on the financial statements

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton

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 the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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 not identified any adjusted differences in the financial statements.

Summary of unadjusted differences

We identified one unadjusted difference relating to the Authority's share of the difference between the actuary's estimation of the Pension Fund value and the actual Fund value at 31 March 2018 was calculated as £188,000.



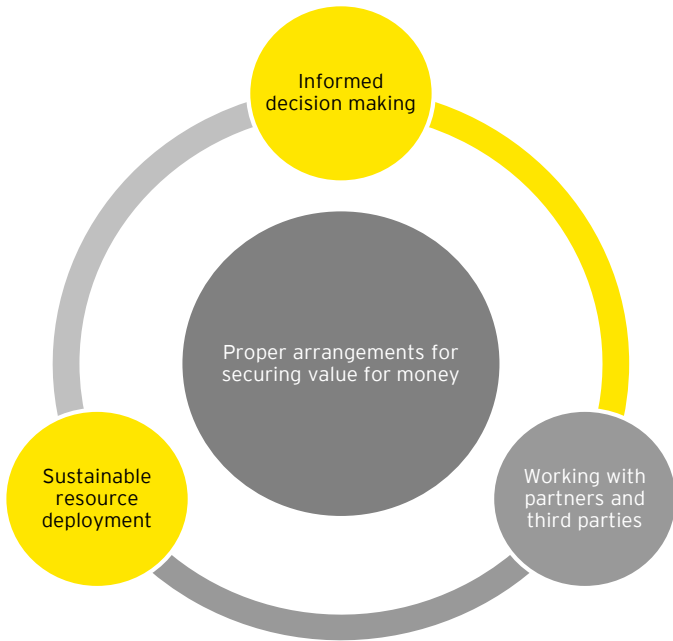
05

Value for Money Risks





Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We did not identify any significant risks around these arrangements.

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

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

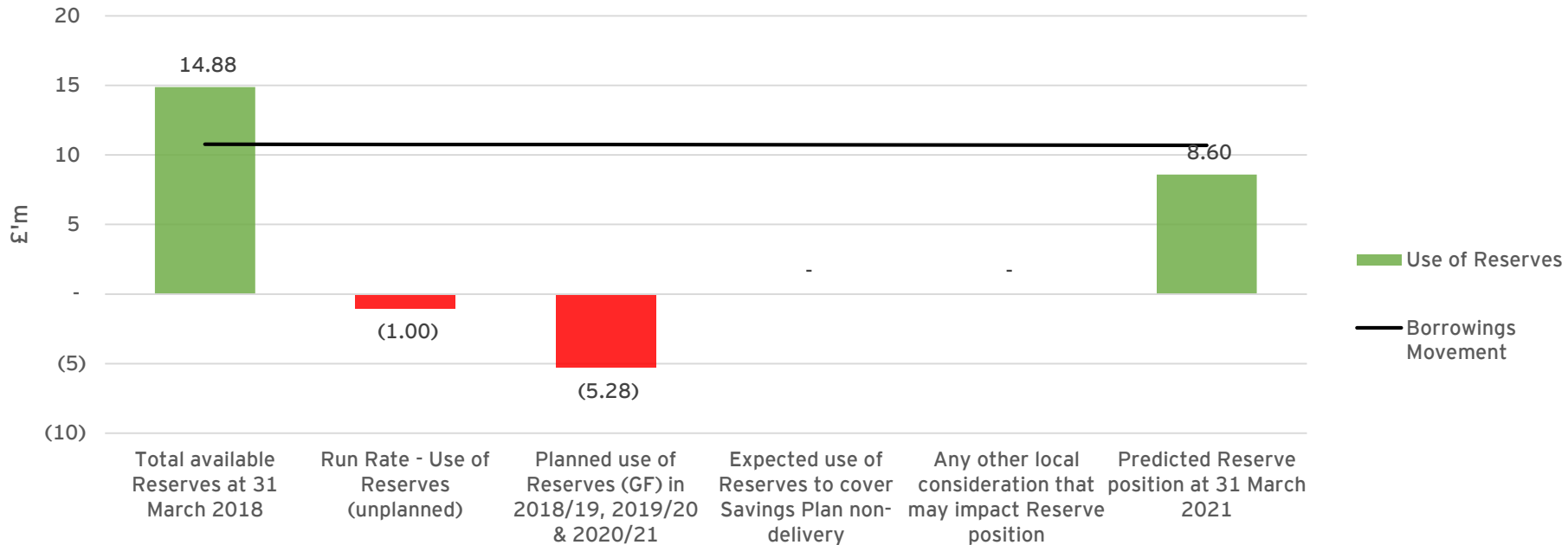
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.



Value for Money

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Assessment of Reserves Position to 2021



Our Assessment

In our assessment we considered:

- ▶ The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- ▶ The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- ▶ the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- ▶ the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- ▶ any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Authority's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.



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 the Statement of Accounts 2017/18 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 Narrative Statement in the Statement of Accounts 2017/18 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 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

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all of the Authority's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Scrutiny and Audit Panel on 1 February 2018.

We complied with the FRC 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 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 and Audit Panel on 26 July 2018.

Independence

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

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

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2016/17	Final Fee 2016/17
	£	£	£	£
Total Fee - Code work	TBC	30,766	30,766	30,766

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts.

For East Sussex Fire Authority our indicative fee was set at the scale fee level. This indicative fee was based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority;
- ▶ There is an effective control environment; and
- ▶ Prompt responses are provided to our draft reports.

We are discussing additional fees with officers in relation to the involvement of EY Real Estate as an auditor's expert and the additional audit work required as a result of revaluing the entire Land and Buildings portfolio.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.







10 Appendices

Appendix A

Required communications with the Scrutiny and Audit Panel

There are certain communications that we must provide to the Scrutiny and Audit Panels of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Scrutiny and 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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - February 2018
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report - February 2018





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
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 ▶ Material misstatements corrected by management 	Audit results report - July 2018
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Scrutiny and Audit Panel where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report - July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Scrutiny and Audit Panel to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> ▶ Management; ▶ Employees who have significant roles in internal control; or ▶ Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Scrutiny and Audit Panel responsibility. 	Audit results report - July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when 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 regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report - July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of 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 about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report - February 2018 and Audit results report - July 2018
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Scrutiny and Audit Panel into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Scrutiny and Audit Panel may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report - July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Scrutiny and Audit Panel into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Scrutiny and Audit Panel may be aware of 	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. 	Audit results report - July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report - February 2018 and Audit results report - July 2018

Management representation letter

Management Rep Letter

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

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 2018. 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 Authority financial position of East Sussex Fire Authority as of 31 March 2018 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 2017/18.

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 2017/18.
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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of the unadjusted audit difference regarding the variance in the actual East Sussex Pension Fund assets to the estimate used by the actuary, detailed in the accompanying schedule, identified you during the current audit and pertaining to the latest period presented is immaterial, to the financial statements taken as a whole.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. 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, Cabinet and Scrutiny and Audit Panel held through the year to the most recent meeting on the following date: 12 July 2018.

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 year 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.

D. 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 the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in 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.

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. 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.

H. Reserves

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

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and the valuation of the 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.

J. Estimates

1. We believe that the measurement processes, including related

1. assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the IAS 19 pension disclosures and the valuation of Property, Plant and Equipment 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 applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

K. 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

Chair of the Scrutiny and Audit Panel

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ED None

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East Sussex Fire Authority

Statement of Accounts

2017/18

Contents	Page
Narrative Report by the Treasurer	2
Statement of Responsibilities for the Statement of Accounts	9
Independent Auditor's Report to East Sussex Fire Authority	10
Annual Governance Statement	13
Accounting Statements:	
Movement in Reserves Statement	15
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18
Cash Flow Statement	19
Expenditure and Funding Analysis	20
Notes to the Accounting Statements (incl. Statement of Accounting Policies)	21
East Sussex Firefighters' Pension Fund Accounts	67
Glossary of Terms	70

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.

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 2018. 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 837,000.

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 2017 the membership of the Authority during the 2017/18 financial year was as follows:

	Brighton & Hove City Council	East Sussex County Council	Total
Conservative	2	7	9
Green	1	-	1
Labour	3	1	4
Liberal Democrat	-	3	3
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 core statements in these accounts comprise:

- 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.

Other statements include:

- 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 East Sussex Firefighters' Pension Fund Accounts – this summarises the transactions relating to the Firefighters' Pension Fund Account for 2017/18. 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.

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 2017, and applies for accounting periods commencing on or after 1 April 2017.

The Code of Practice on Local Authority Accounting 2017/18 (the Code) highlights the following key updates/changes in accounting practice:

- The introduction of key reporting for the Narrative Report;
- updates to the Presentation of Financial Statements to clarify the reporting requirements for accounting policies and going concern reporting;
- Following the amendments in the Update to the 2016/17 Code, changes to the Lease and Lease Type Arrangements, Service Concession Arrangements: Local Authority as Grantor, Financial Instruments – Disclosure and Presentation Requirements;

Financial Report

This section of the Statement of Accounts for 2017/18 sets out:

- The construction of the original budget for 2017/18.
- The final outturn for 2017/18.

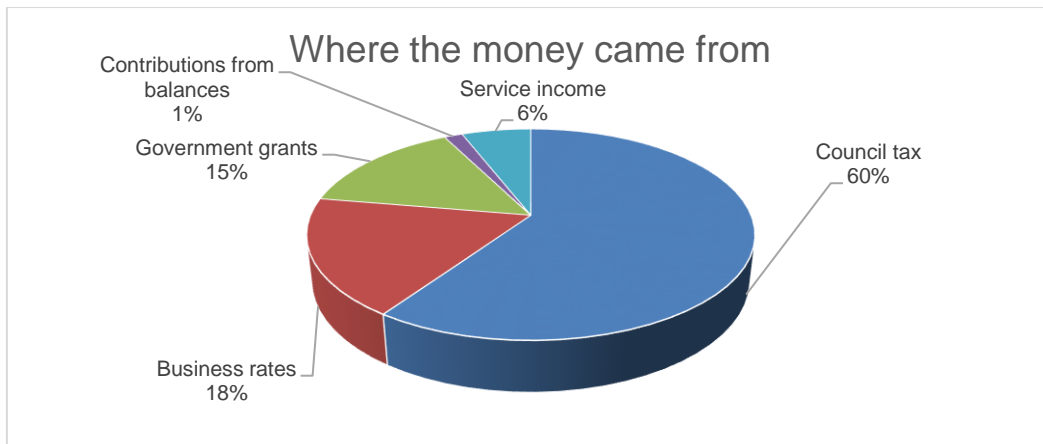
Setting the Revenue Budget for 2017/18

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. The budget was 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 IRMP at <http://www.esfrs.org/about-us/community-risk-management/integrated-risk-management-planning/>. In February 2017 the Authority set its revenue budget for 2017/18 at £37.403m a 2.7% reduction on the previous year. Savings totalling £1.350m which were expected to grow to £1.937m by 2020/21 were included. The main savings continued to come from the phased reductions in crewing levels across the Service. 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 £1.672m (17.0%) to £4.524m. The budget also took into account additional spending pressures beyond pay and price inflation, other unavoidable commitments and bids for investment. The Authority was able to support its Capital Programme from the Revenue Account with a contribution of £0.537m. 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 2017/18 the risks of pooling were judged to be too great and the Pool was dissolved.

In setting the 2017/18 Revenue Budget the Fire Authority had achieved a balanced position in the medium term, although this assumed that all savings targets would be achieved.

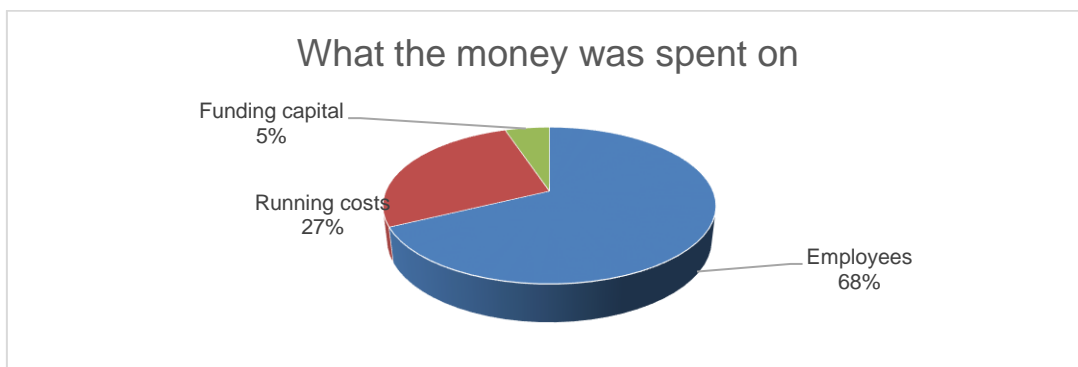
Revenue Expenditure and Income

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.



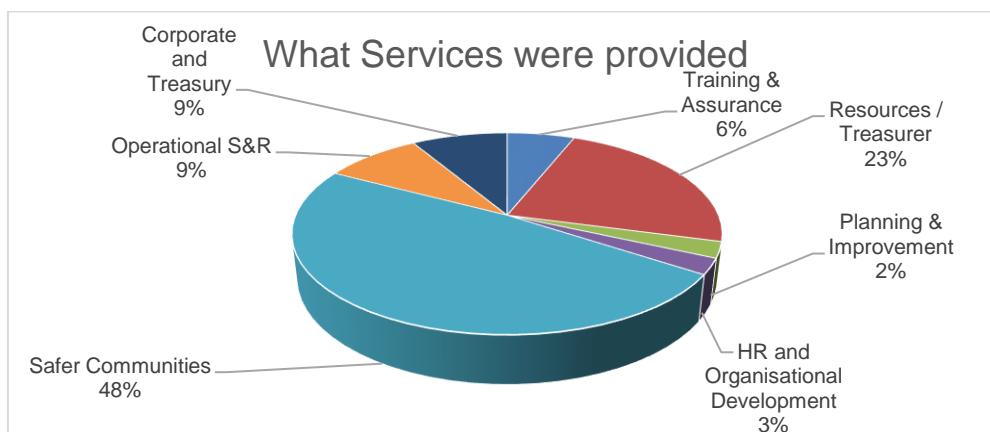
The majority 60% comes from the Council Tax payers of East Sussex and the City of Brighton & Hove. The two other main sources are Government Grants and Business Rates at 15% and 18% respectively. The Service generates income representing 6% with Contributions from balances 1% making up the remainder.

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 27% of the total, 5% 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.

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 48% 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 (23%) supports service delivery providing ICT, Property, Procurement, Insurance and Finance. Operational Support and Resilience (9%) delivers support for the fleet including the fire appliances, operational planning and policy, special project support and the Sussex Control Centre. Corporate (9%) 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 (3%) support 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 leads on inclusion and diversity across the communities of East Sussex and the City of Brighton & Hove.

Analysis of the Revenue Budget

The table below sets out the main components of the Revenue Budget for 2017/18 and how these compare with the actual outturn:

Year to 31 March 2018	Original Budget	Revised Budget	Actual Outturn	Variance against revised budget
	£'000	£'000	£'000	£'000
Training & Assurance	2,211	2,307	2,307	-
Resources / Treasurer	7,529	8,986	8,800	(186)
Planning & Improvement	1,049	1,034	968	(66)
HR and Organisational Development	922	1,015	970	(45)
Safer Communities	18,273	18,178	18,467	289
Operational S&R	3,850	3,311	3,301	(10)
Corporate	1,539	1,339	1,251	(88)
Net Service Expenditure	35,373	36,170	36,064	(106)
Treasury Management	1,408	2,090	2,036	(54)
Contributions to/from balances	622	(857)	(661)	196
Total Net Expenditure	37,403	37,403	37,439	36
Financed by:				
Government Grant	(4,904)	(4,904)	(4,912)	(8)
Business Rates	(7,213)	(7,213)	(7,241)	(28)
Council Tax	(25,036)	(25,036)	(25,036)	-
Collection Fund Business Rates deficit	-	73	73	-
Collection Fund Council Tax surplus	(250)	(323)	(323)	-
	(37,403)	(37,403)	(37,439)	(36)

Throughout the year the Corporate Management Team, renamed Strategic Leadership Team (SLT) during 2017/18, 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 £37.403m. The budget was revised during the year to reflect changes in service delivery but overall the total budget remained the same. The final outturn at £37.439m resulted in a small underspend of £0.196m which the Authority agreed to transfer into earmarked reserves. Unexpected increases in retained Business Rates and small grants gave an additional £0.036m of funding. In service delivery, the net expenditure position is the result of a combination of underspending in some areas and overspending in others.

The main variations in Net Service Expenditure we as a result of:

Overspending in Safer Communities as a result of managing the transition to lower standard crewing levels and the use of fixed term contracts and overtime to cover sickness absence, underspending in Resources/Treasurer as a result of a combination of many factors including lower than anticipated spend on financial services provided by ESCC and the award of costs in a business safety prosecution. There were also underspends in Planning and Improvement and in HR and Organisational Development on various budget headings. The Corporate budget includes a contingency which provides SLT with some flexibility to manage the revenue budget in year and unutilised funds also contributed to the underspend. The Authority has drawn down from earmarked reserves during the financial year which has been used to fund specific projects, the revised planned draw down of £0.857m is reduced by the revenue underspend, £0.196m being transferred to reserves.

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 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 decreased by £0.661m to £14.882m at 31 March 2018 (including the 2017/18 Revenue Budget underspend of £0.196m of which 79% is held for specific purposes). With the addition of the Capital Reserves of £9.477m this means that total usable reserves stand at £24.359m - 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 £11.740m, 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 IT Strategy, 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 level of reserves held at the end of 2017/18 is £7.075m higher than planned (£24.359m actual against £17.284m planned) as a result of: planned delays in progressing some capital schemes particularly the purchase of some new appliances, which our Fleet Strategy is reviewed; higher than anticipated capital receipts from the sale of property; and grant funding from central government held for future use of the Emergency Services Mobile Communication Programme (ESMCP).

The Capital Programme

In 2017/18, the Authority spent £2.016m 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 sources of funding in 2017/18 were Capital Receipts (£0.436m), contributions from the Revenue Account (£0.537m), earmarked reserves (£0.681m) 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 £3.903m. The larger schemes during the year included new breathing apparatus (£0.681m) and the addition of ancillary vehicles, vans and cars to the fleet (£281m). The underspend of £1.887m compared to the revised budget was mostly an aggregation of slippage of spend into 2018/19 in particular replacement fire appliances.

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 2017/18 £200,000 of loans were repaid and no new borrowing was undertaken during the year, so total borrowing ended the financial year at £10.773m.

At its meeting in February 2018 the Fire authority approved a Capital Programme for 2018/19 of £3.305m which will be financed by capital receipts of £1.624m, revenue contributions of £1.200m, capital grants of £0.050m with the balance being met from other internal sources.

Non-Financial performance

The Authority monitors its performance on a regular basis against a range of key performance indicators. This is reported to the Authority's Scrutiny and Audit Panel on a quarterly basis and include attendance at incidents, employee absence and reporting of Health and Safety incidents. Significant performance level changes are reported on an exception basis. There is also a Year End Performance Report that was considered by Scrutiny and Audit Panel on 13 June 2018, along with the Annual Benchmarking report which compares our performance with that of other similar Fire Authorities.

The most recent quarterly report can be downloaded at <https://www.esfrs.org/EasySiteWeb/GatewayLink.aspx?allid=20360>

Trade Union (Facility Time Publication Requirements) Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on the 1st April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The Authority's publications can be found on its website here: <https://www.esfrs.org/about-us/publication-of-information/financial-information/>

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 £394.685m at the start of the year to £423.031m at 31 March 2018. Note 35 to the accounting statements provides more detailed information. The resultant impact on the CIES is a charge of £10.926m to reflect the present value of the defined benefit obligation and an Actuarial loss on pension assets and liabilities of £17.420m. The explanation from the Actuary for this significant change is due to a reduction in real bond yields.

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 2017/18, agreed in February 2017 was set against a continued background of market uncertainty and a prudent approach was taken with all investments.

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 £0.124m at an average rate of 0.50% (compared to the Bank of England base rate which remained at a historically low level of 0.25% before increasing to 0.50% in November 2017 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.

2018/19 and beyond

The Authority's budget for 2018/19 was set at £38.140m, an increase of 1.97% over the previous year, and in light of the financial challenge facing the Authority in the future, Members agreed to raise Council Tax by 2.94% taking a Band D property to £91.00. 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 £1.75 per week (for the average household). The Medium Term Finance Plan (MTFP) for the five years to 2022/23 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 since 2010/11 has already achieved £8.058m (to the end of 2017/18).
- 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, including the use of the additional flexibility of up to 3% in 2019/20.

Even taking advantage of the higher Council Tax referendum threshold the MTFP indicates a need to make a further £0.719m savings in order to balance the Authority's budget by 2022/23.

There remains significant uncertainty for fire funding beyond the current multi-year funding offer that ends in 2019/20. For 2020/21 and beyond there are potentially significant risks as a result of national proposals to change the Business Rates Retention regime, the Fairer Funding Review and a Comprehensive Spending Review covering the last three years of this Parliament. In addition the sector will see the implementation of the Government's new inspection regime for the Fire Service and the continuing impact of changes in governance as a result of the Policing and Crime Act and the powers given to Police and Crime Commissioners to take over the running of Fire Authorities.

Officers will continue to explore the potential for further efficiencies, which as a minimum must meet the identified funding gap by 2022/23, but which must also provide flexibility to respond to both the uncertain funding situation after 2019/20 and allow investment as we continue to transform the Service to meet the changing needs of the communities we serve. This will be driven through the Authority's Efficiency Strategy which seeks to build on its existing initiatives to develop a more strategic approach to delivering efficiency and effectiveness, including:

- Closer alignment of the budget setting and business planning process;
- The modelling of a range of savings / efficiency scenarios beyond that required to balance the budget as set out in the MTFP
- Planned reviews of Governance and Collaboration, the latter to include clearer criteria for assessing collaborative opportunities to ensure the Authority can prioritise / focus its effort in this area;

- Reviews of all existing programmes, projects and collaborative initiatives to evaluate the potential financial impact including the potential to deliver efficiency savings;
- Evaluation of the potential financial and performance impact of the 10 focus areas of the IRMP;
- Standard template for strategies to include requirement to set out opportunities for delivering efficiencies or improving outcomes for communities;
- Development of more robust standard approaches to evaluating new projects through feasibility and business case stages, with a clear focus on identifying investment requirements and benefits identification / realisation including efficiencies (as part of the development of the Programme Management Office);
- A clearer focus on the identification and delivery of efficiency savings through the Procurement Strategy and its supporting category management plans;
- The recommencement of the Support Service Review;
- Review with our outsourced provider talent of opportunities for delivering further efficiencies through IT;
- Learning from the outcomes of the planned external review of HR processes and determining whether the approach has wider benefits across the organisation;
- Re-assessment of the use of the Improvement & Efficiency Reserve with a focus on supporting invest to save initiatives;
- Considering the potential of investment through the Capital Asset Strategy to deliver ongoing efficiencies;
- A review of opportunities for potential commissioning of services;
- The assessment of opportunities for further development of benchmarking (with a focus on efficiency and effectiveness) across the fire service;
- A review of the opportunities for income generation through fees and charges, trading and other commercial opportunities

The Authority will need to continue to review its strategic and financial plans as we become clearer on the implications of these national and local developments, especially for funding from 2020/21, 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.

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 13 to 14.

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

The Audit Opinion and Certificate is available on pages 10 to 12 of these accounts.

Duncan Savage

Assistant Director Resources / Treasurer

26 July 2018

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 2018 and its income and expenditure for the year ended. These financial statements replace the unaudited financial statements authorised for issue on the 31 May 2018.

Duncan Savage

Assistant Director Resources / Treasurer
26 July 2018

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

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of East Sussex Fire Authority for the year ended 31 March 2018 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 37,
- The firefighters' pension fund financial statements comprising the Fund Account, the 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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director Resources / Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director Resources / Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative report set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The Assistant Director Resources / Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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 Council;
- 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.

Responsibility of the Assistant Director Resources / Treasurer

As explained more fully in the Statement of the Assistant Director Resources / Treasurer's 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Director Resources / Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 2017, as to whether 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Sussex Fire Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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.

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.

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.

Use of our report

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.

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
26 July 2018

The maintenance and integrity of **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.

Annual Governance Statement for the year ended 31 March 2018

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 <https://www.esfrs.org/about-us/east-sussex-fire-authority/corporate-governance/> 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 2018 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 Plan that sets out our purpose and commitments to the community and the outcomes we intend to achieve;
- an established business 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, as set out in the Annual Plan, 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 and collaboration;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, Information 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 Senior Leadership 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 audit results report and annual audit letter;
- 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 (DCFO) (continuing action)*
- *Rationalise and align our suite of corporate strategies in line with the new Corporate Strategy and IRMP (DCFO) (continuing action).*
- *Improve our performance monitoring against our Corporate Strategy / IRMP and revise our approach to monitoring key performance indicators (ADP&I) (continuing action)*
- *Make improvements to Information Security arrangements, including compliance with the General Data Protection Regulations (ADR/T) (continuing action)*
- *Review the Management of Road Risk Policy and the effectiveness of arrangements for ensuring compliance in response to the review by internal audit (ADOSR) (continuing action)*
- *Improve the management and delivery of projects by establishing a Programme Management Office (PMO) (ADP&I) (continuing action)*
- *Review the Local Code of Corporate Governance against the most recent best practice guidance issued by CIPFA / SOLACE (ADP&I / ADR/T) (continuing action)*
- *Carry out an independent review of the Authority's governance arrangements (DCFO)*
- *Deliver improvements in our sickness absence performance (ADHR&OD)*
- *Take action to ensure compliance the National Operational Guidance (ADOSR)*
- *Review the Scheme of Delegation (including financial delegations) to reflect a more enabling organisation (DMO / ADR/T)*
- *Respond to the Hackitt Review and the Grenfell Tower Inquiry and any subsequent changes in legislation (ACFO)*
- *Ensure compliance with Regulation of Investigatory Powers Act (RIPA) (DCFO)*
- *Complete reviews of the following strategies:*
 - *Estates (ADR/T)*
 - *Fleet & Equipment (ADOSR)*
- *Put in place a new Performance Management framework (ADP&I)*

Councillor Roy Galley, Chairman, Scrutiny & Audit Panel

Dawn Whittaker, Chief Fire Officer

26 July 2018

The Movement in Reserves Statement shows the movement from the start to the end of the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure and mitigate risk and impact of unplanned events) and other 'unusable' reserves. It shows how the movements in year of the reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund balance movements in the year following those adjustments and before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

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)

2017/18	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 2017 carried forward	3,142	5,512	12,401	-	21,055	(354,944)	(333,889)
Movement in Reserves during 2017/18							
Total Comprehensive Income and Expenditure	(9,835)	-	-	-	(9,835)	(13,301)	(23,136)
Adjustments between accounting basis & funding basis under regulations (Note 7)	9,174	3,965	-	-	13,139	(13,139)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(661)	3,965	-	-	3,304	(26,440)	(23,136)
Transfers to/(from) Earmarked Reserves (Note 8)	661	-	(661)	-	-	-	-
Increase/(Decrease) in Year	-	3,965	(661)	-	3,304	(26,440)	(23,136)
Balance at 31 March 2018	3,142	9,477	11,740	-	24,359	(381,384)	(357,025)

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.

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,230	(136)	2,094	Training & Assurance	2,494	(104)	2,390
9,104	(384)	8,720	Resources/Treasurer	10,190	(1,025)	9,165
925	-	925	Planning & Improvement	1,073	-	1,073
950	(4)	946	Human Resources & Organisational Development	1,074	(1)	1,073
18,366	(235)	18,131	Safer Communities	18,548	(239)	18,309
6,533	(2,392)	4,141	Operational Support & Resilience	7,114	(2,268)	4,846
1,344	(35)	1,309	Corporate	1,294	(23)	1,271
39,452	(3,186)	36,266	Cost of Services	41,787	(3,660)	38,127
		8	Other operating expenditure (Note 9)			(1,368)
		12,433	Financing and investment income and expenditure (Note 10)			10,662
		(38,561)	Taxation and non-specific grant income (Note 11)			(37,586)
		10,146	Deficit on Provision of Services			9,835
		(1,204)	Surplus on revaluation of Property, Plant and Equipment assets (Note 21)			(4,120)
		39,596	Actuarial (gains) / losses on pension liabilities (Note 35)			17,420
		38,392	Other Comprehensive Income and Expenditure			13,300
		48,538	Total Comprehensive Income and Expenditure			23,135

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 2017 £000		Notes	31 March 2018 £000
47,425	Property, Plant & Equipment	12	52,125
47,425	Long Term Assets		52,125
20,008	Short Term Investments	13	20,011
3,033	Assets Held for Sale	17	-
782	Payments in Advance	15	828
33	Inventories	14	48
2,992	Short Term Debtors	15	3,699
3,937	Cash and Cash Equivalents	16	5,135
30,785	Current Assets		29,721
(5,959)	Short Term Creditors	18	(4,531)
(200)	Short Term Borrowing	13	-
(142)	Provisions	19	(217)
(6,301)	Current Liabilities		(4,748)
(394,685)	Liabilities related to defined benefit pension schemes	35	(423,031)
(10,773)	Long Term Borrowing	13	(10,773)
(319)	Provisions	19	(319)
(21)	Capital Grants Receipts in Advance	30	-
(405,798)	Long Term Liabilities		(434,123)
(333,889)	Net Assets		(357,025)
21,055	Usable Reserves	20	24,359
(354,944)	Unusable Reserves	21	(381,384)
(333,889)	Total Reserves		(357,025)

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 2018 and its Comprehensive Income and Expenditure Statement for the year then ended. These financial statements replace the unaudited financial statements issued on the 31 May 2018.

Duncan Savage

Assistant Director Resources/Treasurer

The statement was approved by the Scrutiny and Audit Panel on 26 July 2018.

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.

2016/17		2017/18
£000		£000
10,146	Net Deficit on the provision of services	9,835
(15,559)	Adjustments to net deficit on the provision of services for non-cash movements (Note 22)	(13,377)
73	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	4,524
<u>(5,340)</u>	Net cash flows from Operating Activities	<u>982</u>
4,853	Investing Activities (Note 23)	(2,458)
<u>(79)</u>	Financing Activities (Note 24)	<u>278</u>
(566)	Net increase in cash and cash equivalents	(1,198)
3,371	Cash and cash equivalents at the beginning of the reporting period	3,937
<u>3,937</u>	Cash and cash equivalents at the end of the reporting period (Note 16)	<u>5,135</u>

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.

2016/17			2017/18		
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
2,105	(11)	2,094	2,307	83	2,390
7,869	851	8,720	8,800	365	9,165
883	42	925	968	105	1,073
909	37	946	970	103	1,073
18,959	(828)	18,131	18,467	(158)	18,309
2,787	1,354	4,141	3,301	1,545	4,846
1,293	16	1,309	1,251	20	1,271
34,805	1,461	36,266	36,064	2,063	38,127
(37,216)	11,096	(26,120)	(35,403)	7,111	(28,292)
(2,411)	12,557	10,146	661	9,174	9,835
		13,132			15,543
		2,411			(661)
		15,543			14,882

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 26 July 2018) 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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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

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.

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 2017, the actuary assumed a discount rate of 2.6% 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 2018, the actuary has advised that a rate of 2.7% 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

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.

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-ringfenced 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 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.

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 three 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

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.

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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2018. 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.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Authority’s financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Authority does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 24) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Authority does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. The Authority do not have any such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).
- Telling the Story, Improving the Presentation of Local Authority Financial Statements.

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 2018 and there is therefore no impact on the 2017/18 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 2018 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</p>	<p>It is estimated that the annual depreciation charge would increase by £429,000 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>

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
<p>estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.</p>		<p>Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards.</p>
<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>It is estimated that the revaluation losses would decrease by £176,000 for every 1% increase in the valuations carried out during 2017/18.</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 £43,487,000 increase in the pension liability would result if the real discount rate was to be decreased by 0.5%.</p> <p>A £13,978,000-£15,046,000 increase in the pension liability would result if member life expectancy was increased by 1 year.</p> <p>A £5,007,000 increase in the pension liability would result if the salary increase rate was increased by 0.5%.</p> <p>A £36,205,000 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>

5. Material items of income and expense

There are no 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 on 26 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

2017/18	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	(10,926)	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(13)	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	52	-	-
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)	(4,345)	-	-
Total Adjustments to Revenue Resources	(15,232)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,401	(4,401)	-
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	1,218	-	-
Total Adjustments between Revenue and Capital Resources	6,058	(4,401)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	436	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	-	436	-
Total Adjustments	(9,174)	(3,965)	-

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)	-

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 2017/18.

	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Capital Programme	4,631	-	750	5,381	(69)	528	5,840
Other Earmarked	5,359	(304)	1,965	7,020	(2,931)	1,811	5,900
Total	9,990	(304)	2,715	12,401	(3,000)	2,339	11,740

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, IT Strategy, Insurance Fund, Sprinklers, RPE and Communications, ESMCP ESFRS readiness, ESMCP Regional Programme, Responding to New Risks, Safer Business Training and Wholtime Firefighter Recruitment.

9. Other Operating Expenditure

	31 March 2017 £000	31 March 2018 £000
(Gains)/losses on the disposal of non-current assets	8	(1,368)
Total	8	(1,368)

The net gain on disposal figure of £1.368m as at 31 March 2018 was due to a gain from the disposal of the former Fire HQ in Eastbourne.

10. Financing and Investment Income and Expenditure

	31 March 2017 £000	31 March 2018 £000
Interest payable and similar charges	506	503
Pensions interest cost and expected return on pensions assets	12,044	10,283
Interest receivable and similar income	(117)	(124)
Total	12,433	10,662

11. Taxation and Non Specific Grant Income

	31 March 2017 £000	31 March 2018 £000
Council tax income	24,652	25,348
Non domestic rates	7,256	7,166
Revenue support grant	6,196	4,524
Other revenue grants	287	266
Capital grants and contributions	73	123
Fire Transitional Grant	97	122
Donated Assets	-	37
Total	38,561	37,586

During 2017/18 the Authority received three donated vehicles totalling £0.037m (none in 2016/17). As there were no conditions attached these were credited to the Comprehensive Income and Expenditure Statement during the year.

12. Property, Plant, and Equipment

Movements in 2017/18:	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 2017	39,469	15,820	519	-	55,808
Additions	932	1,122	-	-	2,054
Revaluation increases recognised in the Revaluation Reserve	6,362	-	-	-	6,362
Revaluation decreases recognised in the Revaluation Reserve	(2,511)	(10)	(137)	-	(2,658)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	1,675	-	-	-	1,675
Revaluation decreases recognised in the deficit on the Provision of Services	(1,395)	(16)	-	-	(1,411)
Transfers within PPE	-	-	-	-	-
Derecognition – disposals	-	(191)	-	-	(191)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
At 31 March 2018	44,532	16,725	382	-	61,639
Accumulated Depreciation and Impairment					
At 1 April 2017	-	(8,383)	-	-	(8,383)
Depreciation charge	(809)	(1,324)	-	-	(2,133)
Depreciation written out to the Revaluation Reserve	415	-	-	-	415
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	394	3	-	-	397
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	-	190	-	-	190
At 31 March 2018	-	(9,514)	-	-	(9,514)
Net Book Value					
At 31 March 2018	44,532	7,211	382	-	52,125
At 31 March 2017	39,469	7,437	519	-	47,425

Comparative 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

The Authority had no Intangible, Infrastructure, Heritage or Community Assets at 31 March 2018.

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.

Capital Commitments

Over the five year period, 2018/19 to 2022/23, the Authority is planning gross capital expenditure of £16.708m (based on the agreed Capital Asset Strategy and subsequently agreed variations). This is planned to be funded using government grants (£0.050m), capital receipts (£8.183m), reserves (£4.136m) and planned revenue contributions (£3.163m) with the balance of £1.176m being internal borrowing.

The approved capital programme shows that in 2018/19 the Authority plans to spend £3.305m (adjusted for actual spend in 2017/18), funded by government grant (£0.050m), capital receipts (£1.624m), planned revenue contributions (£1.200m) and internal borrowing (£0.431m). Having adjusted for the actual outturn in 2017/18, slippage on projects and for provisions where there is no contractual commitment, the net commitment profiles for schemes in progress at 31 March 2018 are shown below:

2018/19	2019/20	2020/21	2021/22	2022/23	Total (£m)
5.187	0.330	0.165	-	-	5.682

The Fire Authority had no assets under construction as at 31 March 2018 (none at 31 March 2017).

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 – Flude Commercial (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.

Previously the Authority used the firm Stiles Harold Williams to carry out the valuations. Due to the change in valuer for this year the entire portfolio has been revalued so that the approach is consistent across all assets.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total PPE
	£000	£000	£000	£000
Valued at historical cost	-	16,696	-	16,696
Valued at fair value at 31 March 2018	44,532	29	382	44,943
Valued at fair value at 31 March 2017	-	-	-	-
Valued at fair value at 31 March 2016	-	-	-	-
Total	44,532	16,725	382	61,639

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 2018, and also in the previous year. The fair value hierarchy of surplus assets is as follows:

31 March 2018				
Recurring fair value measurements using:	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	-	-	382	382

31 March 2017				
Recurring fair value measurements using:	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

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.

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 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and receivables (principal amount)	-	-	20,000	20,000
Accrued interest	-	-	8	11
Loans and receivables at amortised cost	-	-	20,008	20,011
Cash and cash equivalents	-	-	3,937	5,135
Debtors				
Loans and receivables	-	-	1,331	2,139
Total debtors	-	-	1,331	2,139
Financial Liabilities				
Borrowings				
Financial liabilities (principal amount)	(10,773)	(10,773)	(200)	-
Accrued Interest	-	-	-	-
Financial liabilities at amortised cost	(10,773)	(10,773)	(200)	-
Creditors				
Financial liabilities at amortised cost	-	-	(3,619)	(2,620)
Total creditors	-	-	(3,619)	(2,620)

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.

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:

2017/18	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000
Interest expense	(503)	-	(503)
Total expense in Deficit on the Provision of Services	(503)	-	(503)
Interest income	-	124	124
Total income in Deficit on the Provision of Services	-	124	124
Net gain/(loss) for the year	(503)	124	(379)

2016/17	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£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)

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.

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
PWLB Debt	(10,973)	(16,393)	(10,773)	(15,757)
Non-PWLB Debt	-	-	-	-
Total Debt	(10,973)	(16,393)	(10,773)	(15,757)
Short term borrowing				
Short term creditors	(3,619)	(3,619)	(2,620)	(2,620)
Total Financial Liabilities	(14,592)	(20,012)	(13,393)	(18,377)
Financial assets				
Short term investments	20,008	20,008	20,011	20,011
Cash and cash equivalents	3,937	3,937	5,135	5,135
Short term debtors	1,331	1,331	2,139	2,139
Total Financial Assets	25,276	25,276	27,285	27,285

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 2018) 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 2018			
	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	-	(15,757)	-	(15,757)
Short Term Borrowing	-	-	-	-
Current Creditors	-	(2,620)	-	(2,620)
Total	-	(18,377)	-	(18,377)
Financial assets				
Short Term Deposits	-	20,011	-	20,011
Money Market Funds	2,795	-	-	2,795
Other Cash and Cash Equivalents	-	2,340	-	2,340
Current Debtors	-	2,139	-	2,139
Total	2,795	24,490	-	27,285

31 March 2017				
	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	-	(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

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 2017	31 March 2018
	£000	£000
Balance outstanding at start of year	45	33
Purchases	150	230
Recognised as an expense in the year	(162)	(215)
Balance outstanding at year-end	33	48

Stocks include diesel fuel and equipment.

15. Current and Long Term Debtors

	31 March 2017	31 March 2018
	£000	£000
Current Debtors		
Central government bodies	340	192
Other local authorities	2,602	3,214
NHS bodies	-	8
Other entities and individuals	50	285
Total	2,992	3,699

There were no long term debtors as at 31 March 2018 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 2018 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 increased by £0.017m to £1.051m (from £1.034m in 2016/17).

Payments in advance increased by £0.046m to £0.828m in 2017/18 (from £0.782m in 2016/17).

16. Cash and Cash Equivalents

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

	31 March 2017	31 March 2018	Movement
	£000	£000	£000
Cash in hand	49	49	-
Bank current accounts	4,047	5,334	1,287
Cash overdrawn	(159)	(248)	(89)
Total Cash and Cash Equivalents	3,937	5,135	1,198

17. Assets held for Sale

	2016/17	2017/18
	£000	£000
Balance outstanding at start of year	-	3,033
<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	-	(3,033)
Balance outstanding at year end	3,033	-

18. Creditors and Income in Advance

	31 March 2017	31 March 2018
	£000	£000
Central government bodies	838	1,414
Other local authorities	1,884	1,490
Public corporations and trading funds	-	-
Other entities and individuals	3,237	1,627
Total	5,959	4,531

There was a decrease in Other entities and individuals of £1.610m as at 31 March 2018, primarily due to £0.440m deposit that was received in advance for the sale of the former Fire Headquarters in 2016/17 and also due to a reduction of £0.854m on the vendor control account balance as at 31 March 2018.

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 £0.217m as at 31 March 2018 which relates to NNDR appeals (£0.142m at 31 March 2017). 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 (£0.319m as at 31 March 2017).

20. Usable Reserves

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

	31 March 2017	31 March 2018
	£000	£000
Usable Capital Receipts Reserve	5,512	9,477
Capital Grants & Contributions Unapplied	-	-
Earmarked Reserves	12,401	11,740
General Fund balances	3,142	3,142
Total Usable Reserves	21,055	24,359

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	6,438	5,512
Amounts receivable during the year	-	4,401
Amounts applied to finance new capital investment	(926)	(436)
Net Transfer to/(from) the Capital Receipts Reserve	(926)	3,965
Balance at 31 March	5,512	9,477

The receipt of £4.4m in 2017/18 was from the disposal of the former Fire HQ in Eastbourne.

21. Unusable Reserves

	31 March 2017	31 March 2018
	£000	£000
Revaluation Reserve	14,270	18,038
Capital Adjustment Account	25,215	23,315
Collection Fund Adjustment Account	390	376
Accumulated Absences Account	(134)	(82)
Pensions Reserve	(394,685)	(423,031)
Total Unusable Reserves	(354,944)	(381,384)

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	13,294	14,270
Upward revaluation of assets	2,177	8,453
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(669)	(2,658)
Reversal of previous years revaluation losses	(304)	(1,675)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,204	4,120
Difference between fair value depreciation and historical cost depreciation	(228)	(247)
Accumulated gains on assets sold or scrapped	-	(105)
Amount written off to the Capital Adjustment Account	(228)	(352)
Balance at 31 March	14,270	18,038

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 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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	25,019	25,215
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	(2,064)	(2,133)
Revaluation losses on Property, Plant and Equipment	(214)	(1,014)
Revaluation loss reversals on Property, Plant and Equipment	304	1,675
Revenue expenditure funded from capital under statute	-	-
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	(8)	(3,033)
	(1,982)	(4,505)
Adjusting amounts written out of the Revaluation Reserve	228	352
Net written out amount of the cost of non-current assets consumed in the year	(1,754)	(4,153)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	926	436
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	73	123
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
Statutory provision for the financing of capital investment charged against the General Fund	439	439
Capital expenditure charged against the General Fund	512	1,218
	1,950	2,216
Donated assets	-	37
Balance at 31 March	25,215	23,315

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	(343,598)	(394,685)
Actuarial gains/losses on pensions assets and liabilities	(39,596)	(17,420)
Reversal of items relating to retirement benefits credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(21,701)	(20,862)
Employer's pensions contributions and direct payments to pensioners payable in the year	10,210	9,936
Balance at 31 March	(394,685)	(423,031)

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	458	390
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	(76)	(12)
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	8	(2)
Balance at 31 March	390	376

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	(94)	(134)
Settlement or cancellation of accrual made at the end of the preceding year	94	134
Amounts accrued at the end of the current year	(134)	(82)
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	(40)	52
Balance at 31 March	(134)	(82)

22. Cash Flow Statement - Operating Activities

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

	2016/17	2017/18
	£000	£000
Depreciation	(2,064)	(2,133)
Impairment and downward valuations	90	661
(Increase) / decrease in creditors	(1,828)	1,675
Increase in interest creditors	-	(241)
Increase / (decrease) in debtors	(415)	640
Increase in interest debtors	-	3
Increase / (decrease) in stock	(12)	16
Pension Liability	(11,491)	(10,926)
Contributions (to) / from provisions	169	(75)
Donated Assets	-	37
Carrying amount of PPE sold	(8)	(3,034)
Total Adjustment	(15,559)	(13,377)

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

	2016/17	2017/18
	£000	£000
Capital Grants and Contributions credited to deficit on provision of services	73	123
Proceeds from the Sale of PPE	-	4,401
Total Adjustment	73	4,524

The cash flows for operating activities include the following items:

	2016/17	2017/18
	£000	£000
Interest received	(117)	(121)
Interest paid	506	263

23. Cash Flow Statement – Investing Activities

	2016/17	2017/17
	£000	£000
Purchase of property, plant and equipment	1,950	2,016
Purchase of short-term and long-term investments	2,997	-
Proceeds from the sale of property, plant and equipment	-	(4,401)
Other receipts from investing activities	(94)	(73)
Net cash flows from investing activities	4,853	(2,458)

24. Cash Flow Statement – Financing Activities

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

	2016/17	2017/18
	£000	£000
Repayment of Short-Term and Long-Term Borrowing	-	200
Appropriation to/from Collection Fund Adjustment Account	(79)	78
Net cash flows from financing activities	(79)	278

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 Senior Leadership Team (SLT) 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 SLT 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 2017/18 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.

A. Adjustments between Funding and Accounting Basis

2017/18				
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	81	1	83
Resources/Treasurer	206	157	2	365
Planning & Improvement	-	105	-	105
Human Resources & Organisational Development	-	103	-	103
Safer Communities	-	(160)	2	(158)
Operational Support & Resilience	1,266	337	(58)	1,545
Corporate	-	20	-	20
Net Cost of Services	1,473	643	(53)	2,063
Other income and expenditure from the Expenditure and Funding Analysis	(3,185)	10,283	13	7,111
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,712)	10,926	(40)	9,174

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

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.

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:

	2016/17	2017/18
Income from Services	£000	£000
Training & Assurance	(136)	(104)
Resources/Treasurer	(384)	(1,025)
Planning & Improvement	-	-
Human Resources & Organisational Development	(4)	(1)
Safer Communities	(235)	(239)
Operational Support & Resilience	(2,392)	(2,268)
Corporate	(35)	(23)
Total income analysed on a segmental basis	(3,186)	(3,660)

C. Expenditure and Income is analysed by nature below:

	2016/17	2017/18
	£000	£000
Expenditure		
Employee benefits expenses	28,445	28,344
Other services expenses	20,550	21,688
Support service recharges	526	565
Depreciation, amortisation, impairment	1,975	1,472
Interest payments	506	504
(Gain)/loss on the disposal of assets	8	(1,368)
Total expenditure	52,010	51,205
Income		
Fees, charges and other service income	(3,186)	(3,660)
Interest and investment income	(117)	(124)
Income from council tax and non domestic rates	(31,908)	(32,514)
Government grants and contributions	(6,653)	(5,072)
Total income	(41,864)	(41,370)
Deficit on the Provision of Services	10,146	9,835

26. Members' Allowances

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

	2016/17 £000	2017/18 £000
Allowances	74	72
Expenses	2	1
Total	76	73

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

27. 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

2017/18	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)	12,398	-	-	-	2,690	15,088
Mrs Dawn Whittaker (Chief Fire Officer) (Note 2)	139,864	-	-	-	20,000	159,864
Assistant Chief Fire Officer (Note 3)	110,932	-	-	-	15,863	126,795
Assistant Director Resources/Treasurer	77,162	-	-	-	13,960	91,122
Deputy Chief Fire Officer (Note 4)	106,615	-	-	-	23,122	129,737
Temporary Assistant Director Operational Support and Resilience (Note 5)	62,713	-	-	-	13,448	76,161
Director of Prevention and Protection	69,494	-	-	-	9,877	79,371
Assistant Director HR and Org. Dev.	59,431	-	2,068	-	10,549	72,048
Temporary Assistant Director Training and Assurance	60,019	-	-	-	10,653	70,672
Assistant Director Planning and Improvement	55,065	-	-	-	9,881	64,946

Notes:

- Salary, Fees and Allowances include a Management Allowance of 12% of salary. Terminated employment 6th April 2017
- Deputy Chief Fire Officer 1/4/17 - 6/4/17, Interim Chief Fire Officer 7/4/17 - 4/10/17, Chief Fire Officer 5/10/17 - 31/3/18.
- Assistant Chief Fire Officer 1/4/17 - 6/4/17, Interim Deputy Chief Fire Officer 7/4/17 - 15/1/18, Assistant Chief Fire Officer 16/1/18 - 31/3/18
- Assistant Director Operational Support and Resilience 1/4/17 - 6/4/17, Interim Assistant Chief Fire Officer 7/4/17 - 15/1/18, Deputy Chief Fire Officer 16/1/18 - 31/3/18.
- In Senior Remuneration post from 7/4/17.

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:

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 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

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	2016/17	2017/18
	Number of employees	Number of employees
£50,000 to £54,999	17	17
£55,000 to £59,999	9	12
£60,000 to £64,999	4	1
£65,000 to £69,999	-	1
£70,000 to £74,999	-	-

28. Exit Packages

Reporting of the Authority and other compensation schemes - Exit Packages

2017/18 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	1	10	6	52	7	62
£20,000 to £39,999	-	-	1	34	1	34
£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	10	7	86	8	96

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

29. 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 & Young LLP.

	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	31	31
National rebate received from Public Sector Audit Appointments (PSAA)	-	(5)
Total	31	26

30. Grant Income

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2017/18

	2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	7,256	7,166
Revenue Support Grant	6,196	4,524
Capital Grants & Contributions recognised	73	123
Other Revenue Grants	287	266
Fire Transitional Grant	97	122
Total	13,909	12,201
Credited to Services		
Home Office ESMCP	1,160	850
New Dimensions	48	67
Firelink	191	232
Control Room Grant	-	119
Responding to New Risks	19	21
Other grants	8	-
Total	1,426	1,289

The Authority received a Revenue grant in 2017/18 for £0.023m 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 was a Capital grant receipt in advance for £0.021m at the end of 2016/17 that has subsequently been recognised as income in 2017/18.

31. 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 30. Grant receipts in advance at 31 March 2018 are shown in Note 30.

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 £0.263m in 2017/18 (£0.220m in 2016/17)

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 £0.191m in 2017/18 (£0.121m in 2016/17)

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 2017/18 is shown in Note 26.

32. 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.

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	10,973	10,973
Capital Investment		
Property, Plant and Equipment	1,950	2,016
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance		
Capital receipts	(926)	(436)
Government grants & other contributions	(73)	(123)
Sums set aside from revenue		
Direct Revenue contributions	(512)	(1,218)
Minimum Revenue Provision	(439)	(439)
Closing Capital Financing Requirement	10,973	10,773

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.

	2016/17 £000	2017/18 £000
Explanation of movements in year		
Decrease in underlying need to borrowing (unsupported by government financial assistance)	-	(200)
Decrease in Capital Financing Requirement	-	(200)

33. 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 £0.008m in 2017/18 (£0.015m in 2016/17).

The future minimum lease payments payable in future years are:

	31 March 2017 £000	31 March 2018 £000
Not later than one year	8	155
Later than one year and not later than five years	6	547
Later than five years	-	879
Total	14	1,581

As from April 2017 the Authority entered into a Tenancy at Will agreement for the use of office space at Malling House and Amberley Block at the Sussex Police HQ site in Lewes.

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 2017/18 (£0.037m in 2016/17).

The future minimum lease payments receivable in future years are:

	31 March 2017	31 March 2018
	£000	£000
Not later than one year	33	36
Later than one year and not later than five years	55	128
Later than five years	81	211
Total	169	375

34. Impairment and Revaluation Losses

During 2017/18, revaluation losses recognised in the Cost of Services totalled £1.01m (£0.2m in 2016/17). The higher amount in 2017/18 is largely due to the entire property portfolio being revalued following a change in valuer, compared to only a third being revalued in 2016/17. The change in valuer has also meant that a slightly different valuation methodology has been adopted which has resulted in larger movements in asset values in comparison to the prior year.

35. 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:

Comprehensive Income and Expenditure Statement

Cost of Services:

Service Cost Comprising:

- current service cost
- past service costs
- (gain) / loss from settlements

Financing and Investment Income and Expenditure

Net interest expense

Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services

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)
- Actuarial gains and losses arising on changes in demographic assumptions
- Actuarial gains and losses arising on changes in financial assumptions
- Other (if applicable)

Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement

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:

Employers' contributions payable to the scheme

Local Government Pension Scheme		Firefighters Pension Schemes	
2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
1,381	2,179	7,300	8,400
176	-	800	-
-	-	-	-
344	283	11,700	10,000
1,901	2,462	19,800	18,400
(5,178)	67	-	-
(655)	-	2,300	(4,000)
7,264	(1,147)	66,700	(6,800)
(1,435)	-	(29,400)	29,300
1,897	1,382	59,400	36,900
(787)	(246)	(50,300)	(28,100)
1,110	1,136	9,100	8,800

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:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of the defined benefit obligations:					
Local Government Pension Scheme	(37,361)	(46,585)	(43,854)	(51,547)	(53,427)
Firefighters Pension Schemes	(324,400)	(384,300)	(334,000)	(384,300)	(412,400)
Fair value of assets in the Local Government Pension Scheme	28,699	33,115	34,256	41,162	42,796
Deficit in the scheme:					
Local Government Pension Scheme	(8,662)	(13,470)	(9,598)	(10,385)	(10,631)
Firefighters Pension Schemes	(324,400)	(384,300)	(334,000)	(384,300)	(412,400)
Total	(333,062)	(397,770)	(343,598)	(394,685)	(423,031)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £465.8m (£435.8m in 2016/17) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £423.0m (£394.7m in 2016/17).

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 2019 is £1.130m (£1.087m was expected for the year to 31 March 2018).

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 2018 is employee members £29.8m (£27.4m 31 March 2017), deferred pensioners £7.6m (£7.6m) and pensioners £16.0m (£16.5m). There was no liability in respect of LGPS unfunded pensions at 31 March 2018 (none at 31 March 2017). 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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April:	43,854	51,547	334,000	384,300
Current Service Cost	1,381	2,179	7,300	8,400
Interest Cost	1,551	1,361	11,700	10,000
Contributions by scheme participants	357	360	1,700	1,800
Re-measurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	(655)	-	2,300	(4,000)
• Actuarial gains/losses arising from changes in financial assumptions	7,264	(1,147)	66,700	(6,800)
• Other	(1,435)	-	(29,400)	29,300
Past Service Cost	176	-	800	-
Losses/(gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(946)	(873)	(10,500)	(10,300)
Liabilities extinguished on settlements	-	-	-	-
Unfunded Benefits paid	-	-	(300)	(300)
Other	-	-	-	-
Closing balance at 31 March:	51,547	53,427	384,300	412,400

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening fair value of scheme asset at 1 April:	34,256	41,162	-	-
Interest Income	1,207	1,078	-	-
Re-measurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	5,178	(67)	-	-
• Other	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,110	1,136	9,100	8,800
Contributions from employees into the scheme	357	360	1,700	1,800
Benefits paid	(946)	(873)	(10,500)	(10,300)
Other	-	-	(300)	(300)
Closing fair value of scheme assets at 31 March:	41,162	42,796	-	-

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 £1.0m (2016/17: £6.4m).

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2016/17 £000	%	Fair value of scheme assets 2017/18 £000	%
Cash and cash equivalents	1,616	4	1,680	4
Equity instruments:				
By industry type				
• Consumer	767	2	797	2
• Manufacturing	406	1	422	1
• Energy and utilities	69	-	72	-
• Financial institutions	1,245	3	1,295	3
• Health and care	705	2	733	2
• Information technology	587	1	610	1
• Other	222	1	230	1
Sub-total equity	4,001	10	4,159	10
Bonds:				
By sector				
• Government	1,141	3	1,186	3
• Other	73	-	76	-
Sub-total bonds	1,214	3	1,262	3
Private equity:				
All	2,356	6	2,449	6
Sub-total private equity	2,356	6	2,449	6
Other investment funds:				
• UK Property	3,947	10	4,104	10
Sub-total other investment funds	3,947	10	4,104	10
Investment funds and unit trusts:				
• Equities	22,670	54	23,570	54
• Bonds	4,747	12	4,937	12
• Hedge Funds	41	-	43	-
• Commodities	61	-	63	-
• Infrastructure	455	1	473	1
• Other	45	-	47	-
Sub-total Investment funds and unit trusts	28,019	67	29,133	67
Derivatives:				
• Foreign exchange	9	-	9	-
Total assets	41,162	100	42,796	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	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:				
Longevity for current pensioners:				
• Men	22.1	22.1	30.2	29.5
• Women	24.4	24.4	31.7	31.5
Longevity for future pensioners:				
• Men	23.8	23.8	31.6	30.8
• Women	26.3	26.3	33.2	32.8
Rate of inflation	2.40%	2.40%	3.40%	3.40%
Rate of increase in salaries	2.80%	2.80%	3.40%	3.40%
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.70%	2.60%	2.70%
Take-up of option to convert annual pension into retirement lump sum	50%/75%	50%/75%	90.00%	90.00%

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 2018:

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%	6,133
3-5%	1,603-2,671
2%	1,265
9%	4,765
9%	37,354
3%	12,375
1%	3,742
8%	31,440

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 £423.0m (£10.6m Local Government Pension Scheme and £412.4m 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 2018/19 the Authority anticipates paying £1.130m contributions to the Local Government Pension scheme, £2.084m 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 17.1 years (20.8 years for injury pensions).

36. 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. Fire and Rescue Services are liaising with the Local Government Association (LGA) to consider the issues raised by the recent European Court of Justice's judgment in the case of *Ville de Nivelles v Matzak* in relation to time spent on call. It is not possible to project the financial implications at this stage.

The FBU has registered a local dispute claiming that an Additional Responsibility Allowance (ARA) should be paid in relation to Swift Water Rescue. This could have financial impacts both one off (for back pay) and ongoing. The dispute is currently with ACAS for arbitration.

37. 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 14th February 2017 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £13.83 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £11.24 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.

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 2018 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

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

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 2018 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 2018, the Authority's investments included £20.0m with UK banks and £2.8m in Money Market Funds. 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 £0.567m in 2017/18 (£0.053m 2016/17) is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017	31 March 2018
	£000	£000
Less than three months	46	484
Three to five months	-	53
Five months to one year	6	4
More than one year	1	26
Total	53	567

The increase of £0.514m as at 31st March 2018 is primarily due to invoices to West Sussex County Council totalling £0.382m raised at the end of March 2018 and subsequently paid in April 2018.

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:

	2016/17	2017/18
	£000	£000
Less than one year (current assets)	25,223	26,718
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	25,223	26,718

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.

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	2016/17	2017/18
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	3,819	2,620
Between one and two years	0%	40%	-	-
Between two and five years	0%	60%	475	956
Between five and ten years	0%	80%	2,353	2,472
More than ten years	0%	80%	7,945	7,345
			14,592	13,393

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 2017/18 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	28
Impact on Surplus or Deficit on the Provision of Services	28

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.028 million (£0.104 million at 31 March 2017) 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.

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 (none in 2017/18).

Fund Account

2016/17 £000		2017/18 £000
	Contributions Receivable:	
(2,460)	Contributions in relation to pensionable pay	(2,186)
(4,776)	Top up grant received	(4,451)
(158)	Ill Health charges	(92)
(1,887)	Firefighters contribution	(1,839)
(9,281)		
(31)	Transfers in from other authorities	(8,568)
	Benefits Payable:	
8,751	Pensions	9,065
2,083	Commutations and Lump Sum Retirement Benefits	2,041
75	Lump Sum Death Benefits	-
10,909		11,106
	Payments to and on account of leavers:	
-	Transfers out to other authorities	-
-		-
1,597	Net amount Payable for year	2,538
(1,597)	Top up grant payable by the government	(2,538)
-		-

Net Assets Statement

31 March 2017 £000		31 March 2018 £000
	Current Assets:	
	- Contributions due from fire authority	-
	- Recoverable overpayments of pensions	-
1,597	Top-up grant receivable from the government	2,538
	- Cash and Cash Equivalents	-
	Current Liabilities:	
(1,597)	Cash overdrawn	(2,538)
	- Unpaid pensions benefits	-
	- Amount of grant payable to the government	-
-		-

1. Employer Contributions

The Fire Authority bore pension contributions as the employer, totalling £2.186m (£2.460m 2016/17) 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 £0.092m (£0.158m in 2016/17) and injury portions of pensions totalling £0.277m (£0.281m in 2016/17) 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 35 to the Fire Authority statements.

4. Contingent Liabilities

The Fire Brigades Union (FBU) has taken collective action to challenge the transitional pension scheme arrangements in relation to the Firefighter's Pension Scheme 2015. Whilst the Employment Appeal Tribunal issued a judgment on the firefighters' appeal in January 2018, the respondents including fire and rescue authorities have been granted permission to appeal to the Court of Appeal. At this stage there is no final outcome nor any clarity as to whether the financial liabilities of a successful challenge would be borne by individual fire and rescue authorities or by central government.

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.

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.

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).

[To be prepared on the entity's letterhead]

[Date]

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 2018. 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 Authority financial position of East Sussex Fire Authority as of 31 March 2018 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 2017/18.

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 2017/18.
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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. 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 (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 July 2018.
 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 year 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.

D. 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 the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than disclosed in 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.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. 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.

H. Reserves

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

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and the valuation of the 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.

J. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the IAS 19 pension disclosures and the valuation of Property, Plant and Equipment 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 applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

K. 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

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny & Audit Panel
Date 26 July 2018
Title of Report 2018/19 First Quarter Corporate Risk Register Review
By Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer Warren Tricker, Finance Manager

Background Papers 2018/19 Fourth Quarter Corporate Risk Register Review

Appendices Appendix A RAID Log Scoring Matrix
 Appendix B Corporate Risk Register and Mitigation Plans

Implications

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

PURPOSE OF REPORT To report on the latest quarterly review of Corporate Risk

EXECUTIVE SUMMARY The Authority has in place established procedures for ensuring that risks are identified and managed for all corporate projects. All high risks identified in the Project RAID (Risks, Assumptions, Issues, and Dependencies) logs are now collated and reported to Senior Leadership Team (SLT) to allow any themes to be identified and risks to be escalated to the corporate risk log as necessary. Risks are scored against a 4x4 scoring matrix as shown in Appendix A.

A business risk workshop has been held with SLT, facilitated by a specialist from Zurich Municipal. The outcomes from this workshop have been included in a refresh of the Corporate Risk Register. We are also considering how best to support Assistant Directors and their teams in developing Directorate risk registers. The updated position is shown in Appendix B.

The key change in the Register is a more concise description of the risk and the cause of the risk to allow an appreciation of the risk. There is also a distinction between “actions” to be completed to reduce the risk and “mitigations” where the action is complete and consequently the risk score reduced.

We have now established the Project Management Office (PMO), the project reporting is being developed for future reports. Due to this development a report for this quarter hasn't been created but the developments will replace reports currently provided.

All project plans have been reviewed to ensure the Pre-Scoring and post scores are appropriate.

RECOMMENDATION

The Panel is recommended to consider and approve the latest Corporate Risk Registers.

APPENDIX A

CORPORATE RISK REGISTER

Scoring for all Corporate Risk and Project RAID Log

Impact / Likelihood	Moderate (1)	Significant (2)	Serious (3)	Critical (4)
Certain/High (4)	Tolerable (4)	Moderate (8)	Substantial (12)	Intolerable (16)
Very Likely (3)	Tolerable (3)	Moderate (6)	Moderate (9)	Substantial (12)
Low (2)	Tolerable (2)	Tolerable (4)	Moderate (6)	Moderate (8)
Unlikely (1)	Tolerable (1)	Tolerable (2)	Tolerable (3)	Tolerable (4)

Corporate Risk and Project Raid Log Scoring Matrix

Impact	Moderate	Significant	Serious	Critical
Score	1	2	3	4
Financial	≤ £10000	≤ £100,000	≤ £500,000	≤ £1 m +
Reputation	Damage limitation	Adverse Publicity	Poor Reputation	Complete loss of public confidence
Service Delivery	would not restrict or service delivery	Could restrict service delivery or restrict delivery of an ESFRS Aim	Could stop service delivery or unable to delivery an ESFRS Aim	Would affect service delivery to our communities

Likelihood	Unlikely	Low	Very Likely	Certain/High
Score	1	2	3	4
Frequency	One case reported in the past 5 years, may re-occur if only limited control measures are not applied and continued monitoring. (0-24% probability)	One or two cases in the past 2 - 5 years or may re occur if not all control measures are not applied within the next 6 months and continue to monitor. (25-49% probability)	One or two cases in past 2 years or expected to happen if controls measures are slow being applied, and failure to monitor progress. (50-74% probability)	One or more cases in past 2 years. Failure to take immediate action could impact on service delivery or safety of personnel/ community. (75-100% probability)

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Imp. Date	Corporate Risk Owner
1 GDPR Non-compliance	<ul style="list-style-type: none"> Lack of policies and processes Staff awareness and understanding of importance requirements Lack of buy in and support from Management and Board Lack of capacity and capability to adhere to new regulations Information sporadically located Data breach incident occurs 	<ul style="list-style-type: none"> Programme Management support E-learning in place (90% achieved) Department tasked to complete information Asset Register Correspondence with suppliers who control or process our data to put in place revised contract conditions Privacy Policy in place and available on website 	I=3 L=2	<ul style="list-style-type: none"> Work programme and audits underway Compliance programmed for 2018/19 Q3 Information Security Strategy to be developed 		DCFO
2 Health & Safety non-compliance	<ul style="list-style-type: none"> Lack of buy in from Management Policy and practices not effective Policies not followed Inherently unpredictable working environment Inconsistent implementation H&S approach is not effectively targeting the highest risk areas Lack of proactive / preventative measures to reduce likelihood Ageing equipment and lack of maintenance 	<ul style="list-style-type: none"> Training programmes in place Policies in place Appropriate systems exist Changes to the management and staffing structure Improvements to Breathing apparatus chambers Governance for Health, Safety & Wellbeing 	I=4 L=2			AD Training & Assurance
3 Future financial viability (2019/20)	<ul style="list-style-type: none"> Reducing funding stream (uncertainty) Critical mass already reached Failure to identify and deliver savings Difficult to predict future needs / resources required Changes in legislation increasing burden 	<ul style="list-style-type: none"> 2018/19 budget agreed MTFP updates and reporting Efficiency Strategy agreed Continued monitoring of Business Rates Retention proposals. Delivery of savings monitored and reported to SLT and members Bridging the Savings Gap Project Resource Planning meeting to monitor operational establishment Establishment and use of general and earmarked reserves to manage financial risk Collaboration through ESFOA to protect shared income streams e.g. Council Tax and Business Rates 	I=2 L=3	<ul style="list-style-type: none"> Further development of the actions set out in the Efficiency Strategy Consideration of bid for Business Rates Retention Pilot with other East Sussex authorities 		AD Resources / Treasurer

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Imp. Date	Corporate Risk Owner
4 Delivery of IT Strategy	<ul style="list-style-type: none"> Costs higher than originally thought and payback period longer Ageing equipment with compatibility issues / legacy systems Lack of change mgt capacity Ineffective contract management Lack of funding Competing priorities Lack of willingness to transform service delivery Lack of business ownership Business unable to resource concurrent major changes projects 	<ul style="list-style-type: none"> Agreed ICT Strategy Active monitoring and reporting of programme delivery and status to SLT and members Alignment of IT Strategy with Corporate Plan to highlight resource / capacity gaps Effective project governance with escalation presses Talent strategy for resourcing of IT projects Actual planned project spend revived on regular basis IT Strategic Board in place 	I=3 L=2	<ul style="list-style-type: none"> Resetting of IT Strategy underway Review of ITG Business Engagement function to ensure fit for purpose Development of digital / innovation stream within IT Strategy 		AD Resources / Treasurer
5 Ability to meet new legislative requirements	<ul style="list-style-type: none"> Policy or legislative changes Unknown burdens on service delivery Likely increased funding required Knowledge and capability needed Lack of capacity and capability inability to adapt service delivery models 	<ul style="list-style-type: none"> Introduction of firefighter business safety Competence framework for business safety officers Business Safety Review to refresh structure to ensure appropriate capacity and contingency" 	I=3 L=4	<ul style="list-style-type: none"> 		ACFO
6 Effective workforce planning e.g. professional services	<ul style="list-style-type: none"> Increasingly difficult to recruit into professional services HR policy flexibility (grades/salaries) Recruitment pool / pull Already lean workforce Poor or lack of staff engagement / communication 	<ul style="list-style-type: none"> Review from Orbis on pension administration provider Review outcomes of Retained Firefighters Union report 	I=2 L=4	<ul style="list-style-type: none"> Locating resources with ITG to insure employee data is GDPR compliant from a HR perspective. 		AD HR&OD

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Imp. Date	Corporate Risk Owner
8 Failure to effectively mobilise (Sussex Control Centre)	<ul style="list-style-type: none"> Legacy software incompatibility with newer versions Full specification not effectively implemented SCC incident / system failure 	<ul style="list-style-type: none"> Factory Acceptance Test overseen by the Project Board - System went live for ESFRS resources on 20th March 2018 The site and user acceptance test's will ensure specification and functionality tested after installation at Haywards Heath Recommendations from HO report Any milestone payments are not triggered until pass of acceptance tests and these are staged SCC 'go live' will be subject by both Senor Users Refreshed approach to approach to attendance management Additional resources made available due to extension Home Office have commissioned an external review of project 	I=4 L=2	<ul style="list-style-type: none"> Further audits and remediation plans for MDTs, Wi-Fi and SEE equipment Scenario planning for future options / outcomes underway 		DCFO
9 Failure to manage the effects and impacts of strikes and trade union action	<ul style="list-style-type: none"> Lack of engagement with unions / staff Poor / ineffective consultation practices Ineffective communications Lack of business continuity planning 	<ul style="list-style-type: none"> Review outcomes of Retained Firefighters Union report Introduction of the On-call action learning set Establish a resilience group to refresh the resilience contingency plans and loss of staff protocols. Establish regional loss of staff working group to share best practice and assist in contingency planning" 	I=3 L=3	<ul style="list-style-type: none"> 		ACFO
10 Inability to effectively respond to a cyber incident	<ul style="list-style-type: none"> Lack of effective BCP in place Underestimation of risk likelihood Poor policies and procedures Human error Lack of staff awareness (e.g. phishing) Poor protection of systems leading to increased severity 	<ul style="list-style-type: none"> telent to progress the IT Risk Treatment Plan IT Health Checks are undertaken by third party security The Information Security Management Forum to meet on a regular basis information Security e-learning in place 	I=4 L=2	<ul style="list-style-type: none"> Information Security Strategy to be developed 		DCFO

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Imp. Date	Corporate Risk Owner
11 Failure to deliver key corporate projects	<ul style="list-style-type: none"> Lack of adherence to governance Lack of experienced staff managing projects 	<ul style="list-style-type: none"> Assignment of programme management office The PID was signed off in June 2018 by the PMO Set Up Board Current 'as is' project related processes have been documented and signed off in the end of June 18. 	I=2 L=4	<ul style="list-style-type: none"> PMO processes are being drafted and key templates are being developed to support best practice Analysis of current Boards is underway Process for Project start when initiated by the Business is being created, Project / programme gateway processes, monitoring and closing projects are currently being drafted. Recruitment of Project Manager and Business Analyst under way 	Sept 2018	DCFO