

Scrutiny & Audit Panel

25 July 2019



Membership:

Councillors: Barnes (Chairman), Taylor, Smith, Hamilton, Evans, Lambert and Osborne

You are requested to attend this meeting to be held in the County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE at 10.00 am

Quorum: 3

Contact:	Zoe Downton, Democratic Services Officer 01323 462086, democraticservices@esfrs.org
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Agenda

1. Declarations of Interest

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

2. Apologies for Absence/Substitutions

3. 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

4. Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 5 June 2019

5 - 12

5. 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

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|------------|------------------------------------------------------------------------------------------------------|------------------|
| 6. | External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2018/19 | 13 - 142 |
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| | Report of the Deputy Chief Fire Officer | |
| 9. | Corporate Plan Progress Monitoring Quarter 4 2018/19 | 163 - 190 |
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| 10. | 2019/20 First Quarter Corporate Risk Register Review | 191 - 202 |
| | Report of the Assistant Director Resources/Treasurer | |
| 11. | 2018/19 Annual report of the ESFRS Local Firefighters' Pension Board | 203 - 210 |
| | Report of the Assistant Director – Organisational Development, Human Resources, Training & Assurance | |

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

Date of Publication: 17 July 2019

Information for the public

East Sussex Fire and Rescue Service actively welcomes members of the public and the press to attend public sessions of its Fire Authority and Panel meetings.

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SCRUTINY & AUDIT PANEL

Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at the Birch Suite, Muriel Matters House, Hastings Borough Council, Breeds Place, Hastings, East Sussex, TN34 3UY at 10.00 am on Wednesday, 5 June 2019.

Present: Councillors Galley (Chairman), Barnes, Boorman, Lambert, Taylor and Scott

Also present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), M Matthews (Assistant Director Safer Communities), L Ridley (Assistant Director Planning & Improvement), H Scott-Youlton (Assistant Director – Organisational Development, Human Resources, Training & Assurance), D Savage (Assistant Director Resources/Treasurer), C Williams (Business Safety Support Team), L Stevenson (Risk & Insurance Officer), L Woodley (Deputy Monitoring Officer), N Chilcott (Internal Audit Manager, Orbis, East Sussex County Council), Z Downton (Democratic Services Officer), E Simpkin (Democratic Services Officer)

213 Declarations of Interest

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.

214 Apologies for Absence

Apologies for absence had been received from Councillors S Osborne and G Peltzer Dunn. Councillor Barnes declared he was substituting for Councillor Peltzer Dunn, and Councillor Boorman was substituting for Councillor Sheppard.

215 Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

There were none.

216 Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 31 January 2019

RESOLVED – That the non-confidential minutes of the meeting of the Scrutiny & Audit Panel held on 31 January 2019 be approved as a correct record and signed by the Chairman. (*Copy in Minute Book*)

217 Callover

Members reserved the following items for debate:

219 Performance Report for Quarter 4 2018/19

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

- 221 Human Resources Absence Management Report – Quarters 1, 2, 3 & 4 2018-19
- 222 Service Benchmarking Report 2017/18
- 227 Internal Audit Annual Report and Opinion for the period 1 April 2018 to 31 March 2019
- 228 Internal Audit Strategy and Plan
- 229 Assessment of the Corporate Framework & Annual Governance Statement for 2018/19

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

218 2018/19 Fourth Quarter Corporate Risk Register Review

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided Members with the latest quarterly review (Quarter 4, 2018/19) of Corporate Risk. The report identified the business risks and how they had or were being mitigated, under Appendix B. *(Copy in Minute Book)*

RESOLVED – That the Panel:

- a) Noted the Quarter 4 Corporate Risk Register, including those changes made since Quarter 3; and
- b) Had not identified any issues where it required further information or assurance.

219 Performance Report for Quarter 4 2018/19

The Panel considered the report of the Assistant Director Planning & Improvement (ADP&I) which provided Members with a summary of service performance information for the fourth quarter of 2018/19 and provisional year end results. *(Copy in Minute Book)*

The report contained information against 21 of the 22 indicator set. Additional information on sickness and East Sussex Fire and Rescue Service road traffic collision data was also contained in the report, as requested by Members at previous meetings.

In relation to the number of Home Safety Visits (HSVs) carried out, the Panel wished to emphasise the importance of meeting the target number and setting stretched targets. The Assistant Director Safer Communities (ADSC) responded that the Service had completed more HSVs during the current year than in any previous year, adding that every station had met its target. The

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

Panel queried how the quality of visits and any follow-up actions were monitored. The ADSC advised that the HSV policy had been reviewed recently and now included a quality framework. He explained that balancing the quality and quantity of visits would form part of future improvements to the whole process.

Further to a request by the Panel, it was felt it would be timely to include HSVs for discussion at a future Members' Seminar. Democratic Services to liaise with the ADSC to schedule this accordingly.

The Panel thanked the ADP&I and Planning & Intelligence Manager for producing a thorough report.

RESOLVED – That the Panel:

1. Considered the performance results and progress towards achieving the Service's purpose and commitments as contained in Appendix A;
2. Considered the performance results and remedial actions that had been taken to address areas of underperformance in the Fire Authority's priority areas; and
3. Considered that the performance priority areas remain the same for 2019/20.

220 Safety Events Statistics Report - Quarter 4, 2018-19

The Panel considered the report of the Deputy Chief Fire Officer (DCFO) which provided Members with a summary of safety events data and hazard reports received by the Health, Safety & Wellbeing Team for Quarters 1 – 4 of 2018/19, and which also included the Quarter 4 report for the shared 3F Key Performance Indicators (KPIs), East Sussex Fire and Rescue Service Home Office Statistics, Level 2 Accident Investigations tracker and age and gender data. (*Copy in Minute Book*)

RESOLVED – That the Panel:

- i) Considered the Quarter 4 health and safety statistics for 2018/19 as set out in the report;
- ii) Continued to monitor and scrutinise performance in 2019/20; and
- iii) Had not identified any areas where Members required further assurance.

221 Human Resources Absence Management Report - Quarters 1, 2, 3 & 4 2018-19

The Panel received the report of the Assistant Chief Fire Officer (ACFO) which presented to Members the absence management statistics recorded for

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

Quarters 1, 2, 3 & 4 of 2018/19 and which showed an overall decrease against the previous year following the interventions deployed by both local line managers and the Human Resources (HR) team. (*Copy in Minute Book*)

The Assistant Director – Organisational Development, Human Resources, Training & Assurance (AD - OD, HR, T&A) provided background and context to the report. The Service had recognised that its sickness absence statistics in 2017/18 were too high. The report set out that during 2018/19 there had been a reduction in total days/shifts lost due to absence from the workplace against the previous year in all quarters, as set out in the table under paragraph 2.1 of the report, demonstrating that the strategy and interventions that had been put in place were having an impact. The ADPS explained that there were some complex cases of long-term sickness impacting on long-term statistics, and reassured the Panel that individual support plans were in place for those colleagues.

The Assistant Director OD, HR, T&A advised that plans for mental health and wellbeing provision in the Service would be shared with councillors at a future Members' Seminar.

The report would be presented to the Panel on a quarterly basis, and would be used to monitor the impact of change on Control Centre staff in terms of sickness absences and wellbeing.

RESOLVED – That the Panel noted the annual absence management statistics for 2018/19 as set out in the report, and welcomed the progress being made.

222 Service Benchmarking Report 2017/18

The Panel considered the report of the Assistant Director Planning & Improvement (ADP&I) which presented the Fire Statistics for 2017/18 and comparative benchmarking of East Sussex Fire and Rescue Service against its family group (the twelve fire and rescue services that made up Family Group 2) in order to provide context to support the Authority's future decision making. (*Copy in Minute Book*)

The report brought together a wide range of information about how the Service compared in delivering its services to local communities, including the cost of service provision, current performance measures, as well as organisational resourcing.

RESOLVED – That the Panel considered the results of the report and had not identified any areas of performance not highlighted in the report that it would like to see further investigation into.

223 External Audit Update and Fee Letter 2019/20

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of progress on the

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

external audit of the 2018/19 financial accounts and the proposed external audit fee for 2019/20. *(Copy in Minute Book)*

The Authority's external auditors (Ernst & Young LLP) had provided an update on the delivery of the audit of the 2018/19 accounts, as set out in Appendix 1. The external auditor's fee for the 2019/20 audit was set out in its Fee Letter, under Appendix 2.

RESOLVED – That the Panel:

- i) Noted the progress on the external audit of the 2018/19 accounts;
- ii) Noted the external audit fee for 2019/20; and
- iii) Had not identified any further information or reassurance required from the Authority's external auditors.

224 Internal Audit Report - Delivery of Business Safety

The Panel considered the report of the Assistant Director Safer Communities (ADSC) which introduced to Members the findings of the Internal Audit on 'Delivery of Business Safety', the actions taken to address the findings of the report and the plan in place to ensure continued assurance of the Authority's responsibilities under the Regulatory Reform (Fire Safety) Order 2005 (the Order). *(Copy in Minute Book)*

The report provided 'Partial Assurance' in respect of Delivery of Business Fire Safety. That opinion meant that there were potential weaknesses in the system of control and/or the level of non-compliance was such as to put the achievement of the Service's objectives at risk.

RESOLVED – That the Panel:

- a) Adopted the findings of the report and acknowledged the actions taken to ensure compliance with the Authority's statutory duties; and
- b) Supported the introduction of the Business Safety Assurance Framework that was currently being produced.

225 Internal Audit Report - Supply Chain Management (SCM)

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which updated Members on the findings and assurance opinion of the Internal Audit Report on Supply Chain Management (SCM), undertaken in March 2019. *(Copy in Minute Book)*

It was the agreed protocol that where Internal Audit Reviews resulted in an opinion of partial assurance or lower that the report be presented in full to both the Senior Leadership Team and the Scrutiny & Audit Panel.

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

RESOLVED – That the Panel:

- i) Endorsed the report and the management response; and
- ii) Noted that Internal Audit would carry out a follow up review in 2019/20.

226 On Call Pay Review - Internal Audit Report

The Panel received the report of the Assistant Director – Organisational Development, Human Resources, Training & Assurance which presented to Members the outcome of the Internal Audit of the Retained Duty (On Call) Pay Review and provided assurance that work had commenced to address the areas of concern identified. *(Copy in Minute Book)*

RESOLVED – That the Panel noted the outcome of the audit and the actions that had been put in place to address the learning outcomes.

227 Internal Audit Annual Report and Opinion for the period 1 April 2018 to 31 March 2019

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided to Members an Opinion on East Sussex Fire Authority's (ESFA) internal control environment and which reported on the work of Internal Audit for the period 1 April 2018 to 31 March 2019. *(Copy in Minute Book)*

The Panel's attention was drawn to the audits that had received partial assurance opinions, namely Delivery of Business Safety, Supply Chain Management and Retained Duty System Pay. Summaries of those audits were set out under Appendix 1, with the detailed findings reported separately to the meeting under agenda item nos 224, 225 and 226 respectively.

On the basis of the audit work completed, the Orbis Chief Internal Auditor, as ESFA's Head of Internal Audit, 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 for the reporting period.

Mr Chilcott (Internal Audit Manager – Orbis) highlighted that a substantial assurance opinion had been issued in respect of the key financial system review of Pensions, as the Authority had already identified issues within the Firefighter Pensions Scheme and an action plan was in place. The ADR/T explained that, in a broader context, there were issues around data quality, payroll and record keeping across all public sector pension schemes. The Authority was currently participating in a national exercise to reconcile locally held scheme records with those held by HMRC (known as GMP Reconciliation) and had commissioned a third party data quality audit of Firefighter Pensions Scheme Data as required by the Pension Regulator. Those exercises and subsequent work by the Authority's interim Pension Adviser had identified a range of pension data quality issues that were now

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

being evaluated and options to address them drawn up. An initial report had been taken to the February 2019 meeting of the Pension Board and a further report would be taken in due course.

The Panel welcomed the audit of Business Fire Safety, in light of the Grenfell Tower fire in 2017, and that it was reassuring that a governance framework was in place for the future.

RESOLVED – That the Panel:

- (i) Noted the Head of Internal Audit's opinion on the Fire Authority's internal control environment for 2018/19;
- (ii) Noted that the full reports on Retained Duty System Pay, Business Fire Safety and Supply Chain Management had been reported in full to the Senior Leadership Team and Scrutiny & Audit Panel; and
- (iii) Considered the Fire Authority's system for Internal Audit had proven effective during 2018/19.

228 Internal Audit Strategy and Plan

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided to Members an Internal Audit Plan for East Sussex Fire Authority for the period 1 April 2019 to 31 March 2020. (*Copy in Minute Book*)

The ADR/T highlighted that the Strategy and Plan had been produced on a risk basis following consultation with senior officers, the Authority's external auditor (Ernst and Young (EY LLP)) and the Chairman of the Scrutiny and Audit Panel.

Mr Chilcott (Internal Audit Manager - Orbis) drew the Panel's attention to the follow-up reviews on Business Fire Safety, Retained Duty System Pay and Supply Chain Management that were included within the scope of the Plan, further to the recent audits undertaken.

RESOLVED – That the Panel approved the proposed Internal Audit Plan for 2019/20.

229 Assessment of the Corporate Framework & Annual Governance Statement for 2018/19

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

Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

The Authority was required, under the Accounts and Audit Regulations 2015 to conduct an annual review of the effectiveness of its systems of internal control and to prepare an Annual Governance Statement in accordance with proper practices to accompany its Statement of Accounts.

RESOLVED – That the Panel:

- (i) Confirmed that it was satisfied with the level of assurance provided to Members throughout the report and within the Authority's governance framework and processes;
- (ii) Noted that the Proposed Revised Local Code of Corporate Governance had been updated to reflect the current Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) 2016 Framework; and
- (iii) Approved the Annual Governance Statement for signing by the Scrutiny & Audit Panel Chairman and the Chief Fire Officer.

230 Exclusion of the Press and Public

RESOLVED – That item no. 231 be exempt under paragraph 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 and accordingly is not open for public inspection on the following grounds: Information relating to an individual.

231 Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 31 January 2019

RESOLVED – That the confidential Minutes of the meeting of the Scrutiny & Audit Panel held on 31 January 2019 be approved as a correct record and signed by the Chairman. *(Copy in Minute Book)*

The meeting concluded at 11.00 am

Signed

Chairman

Dated this

day of

2019

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny & Audit Panel

Date 25 July 2019

Title of Report External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2018/19

By Assistant Director Resources / Treasurer

Background Papers None

Appendices

1. External Auditor's Audit Results Report (ISA260)
2. 2018/19 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 2018/19 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 2019. 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 2019 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.

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 indicative scale fee for the audit was £23,690.

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 2018/19 Statement of Accounts for publication.
-

**East Sussex Fire
Authority**
Audit results report
Year ended 31 March 2019

July 2019

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EY

Building a better
working world

Appendix 1

11 July 2019



Dear Committee Members,

We have substantially completed our audit of East Sussex Fire Authority for the year ended 31 March 2019.

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 that appears in section 4, before 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Scrutiny 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 25 July 2019.

Yours faithfully

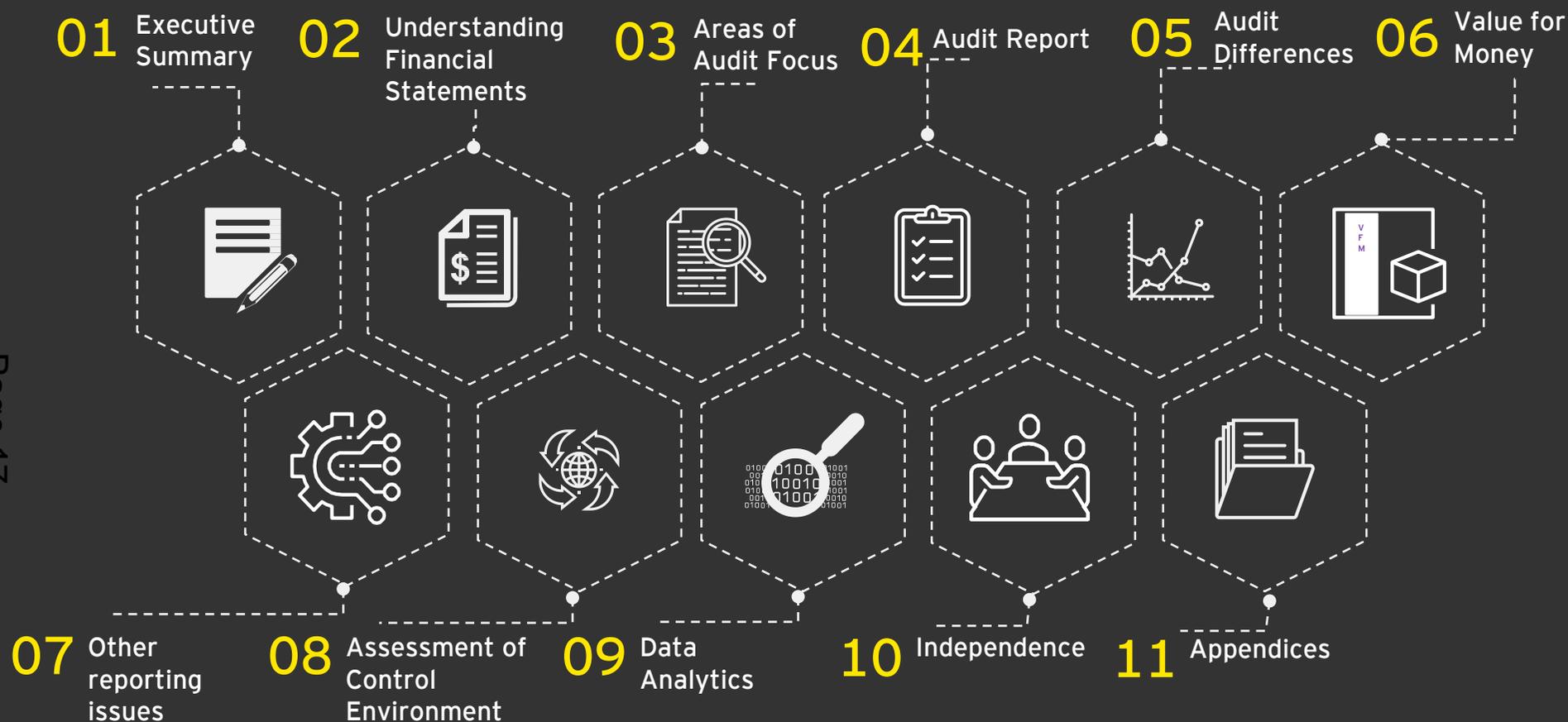
Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report presented to the 31 January 2019 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 updated our planning materiality assessment using the draft financial statements 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 £1.0391m (Audit Planning Report – £1.05m) for the main financial statements and £231,000 (Audit Planning Report £222,000) for the Firefighters' Pension Fund. This results in updated performance materiality, at 75% of overall materiality, of £779,000 for the main financial statements and £173,000 for the Firefighters' Pension Fund, and an updated threshold for reporting misstatements of £52,000 for the main financial statements and £11,500 for the Firefighters' 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 disclosed.



Executive Summary

Status of the audit

We have substantially completed our audit of East Sussex Fire Authority's financial statements for the year ended 31 March 2019 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 4. However until work is complete, further amendments may arise:

We have completed all of our audit work, the following matters are outstanding at the time of writing this report:

- Completion of testing in a number of areas, including creditors; cash and investments; income and expenditure testing, awaiting responses from officers which will then need to be assessed.
- Testing of the indexation of the land and buildings valuations.
- Completion of testing of asset additions.
- Testing of journal entries using our Analytics programme.
- Review of Related Parties.
- Check of the reasonableness of the assumptions in the revised IAS19 valuations.
- Receipt of the signed Letter of Representation.
- Final review of the file by the Associate Partner.
- Full review of the final version of the financial statements.
- Completion of subsequent events review.
- Approval of the accounts by the Panel on 25 July 2019, or later if required.

A national issue has resulted in a relatively late change to the Authority accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 5.

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

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit to date. We will update the Panel verbally of any adjustments arising from our work subsequent to issuing this report.



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 "Areas of Audit Focus" section of this report.

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

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

There are no matters, apart from those reported by management, which we believe should be brought to the attention of the Scrutiny and Audit Panel.

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Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

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

Other reporting issues

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.

02

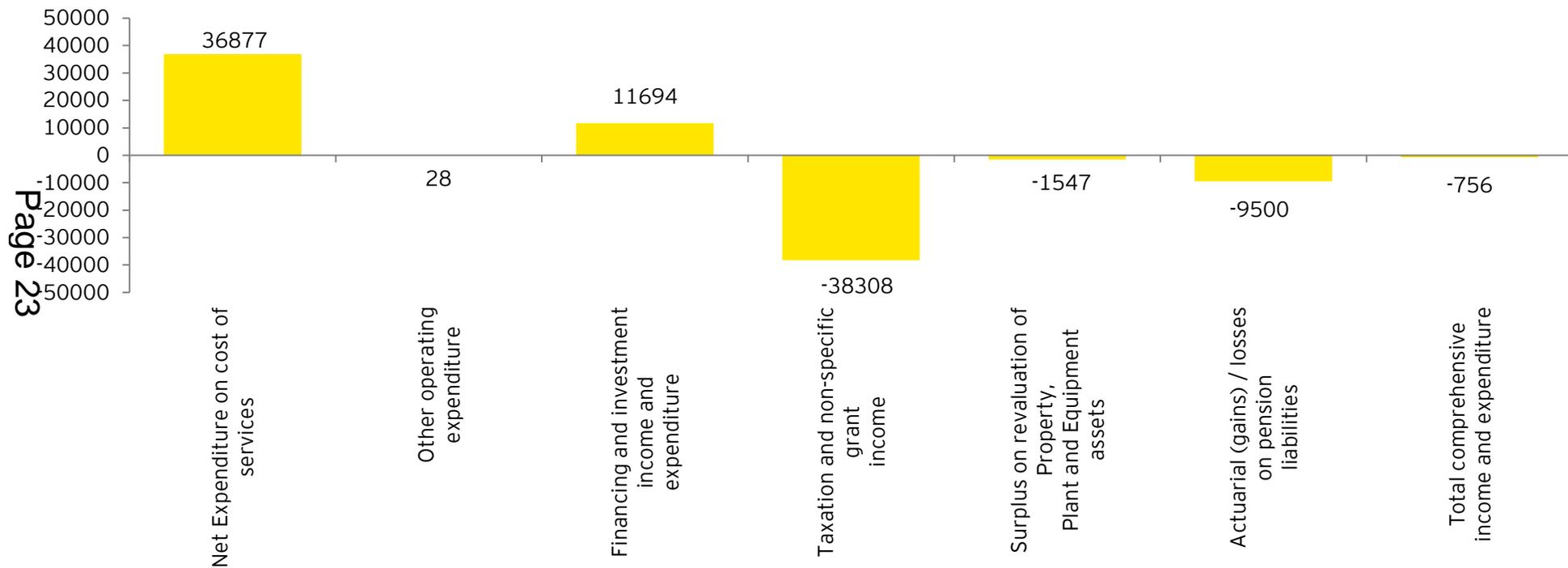
Understanding Financial Statements



Understanding Financial Statements

Key components of net expenditure

Net surplus for the year ended 31 March 2019 was £756,000, compared to the net deficit of £23.1 million in the prior year. During the year there were no significant events that impacted the underlying financial position of the Authority. The following provides an overview of the material items:



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Our audit procedures consider the nature of the Authority's results including the impact of non-recurring and recurring items where the size is variable although judgmental. Such an assessment provides a useful insight into the underlying net expenditure and outturn.



03 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?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on PPE valuation and IAS19 pension estimates which are identified as areas of higher inherent risk and are reported further in this report.

What did we do?

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.

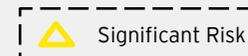
Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

What are our conclusions?

Subject to full completion of our journals testing:

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business





Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure*

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax.

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What judgements are we focused on?

We are focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

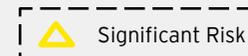
Our approach focused on:

- selecting a sample of PPE additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations; and
- performing journals testing, during this testing we challenged entries that could be indicative of inappropriate capitalisation, such as journals which reclassify transactions originally recorded as revenue expenditure to capital.

What are our conclusions?

Subject to full completion of our testing of journals:

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.





Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Land and Buildings in Property, Plant and Equipment (PPE) 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.

What did we do?

We have performed the procedures described in our original audit plan. We have:

- ▶ Considered the work performed by the Authority's valuers (Fludes Commercial), including 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 valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested to confirm that accounting entries have been correctly processed in the financial statements.

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

Other areas of audit focus

What is the risk/area of focus?

Pension Liability Valuation

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 2018 this totalled £423 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?

Our planned work is as follows. Due to the IAS 19 reports being updated, this work is not yet complete.

- ▶ Liaise 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;
- ▶ Assess the work of the LGPS Pension Fund actuary (Hymans Robertson) and the Firefighters pension actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

As considered more fully in Section 5 of this report the Authority re-engaged the actuary to produce an updated IAS 19 valuation to consider the impact of the McCloud ruling. The actuary was also able to consider the following in the updated IAS 19 valuation:

- The actual rather than estimated value of the Authority's share of pension fund assets at year end.
- Immaterial adjustments in respect of Guaranteed Minimum Pensions (GMP).

We will perform the procedures set out above to ensure that we are satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements. Details of the amendments to be made are not yet available.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

How financial assets are classified and measured;
How the impairment of financial assets are calculated; and
The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of Practice on local authority accounting provides guidance on the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of Practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do?

We have:

- ▶ Assessed the Authority's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets; and
- ▶ Checked additional disclosure requirements.

Conclusion: We concluded that IFRS 9 financial instruments had been applied correctly.

We have:

- ▶ Assessed the Authority's implementation arrangements that include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered application to the Authority's revenue streams, and identified that there are no material income streams that are affected by IFRS 15; and
- ▶ Checked additional disclosure requirements.

Conclusion: We concluded that IFRS 15 Revenue from contracts with customers had been applied correctly.



04 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements (draft)

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 2019 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 and the related notes 1 to 37; and include 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 2018/19.

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 2019 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 2018/19.

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 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 Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the 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 Statement and Annual Governance Statement, other than the financial statements and our auditor's report thereon. The 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.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements (draft)

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.

- ▶ 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

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General 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 2019.

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;

Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 10, the 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the 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.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements (draft)

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 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements (draft)

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.

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.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton



05 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 highlight misstatements greater than £52,000 for the main accounts and £11,500 for the Firefighters’ Pension Fund which have been corrected by management that were identified during the course of our audit. No misstatements have been identified to date.

There were no uncorrected misstatements to date. We will update the Panel verbally of any adjustments arising from our work subsequent to issuing this report.

McCloud ruling

As noted in the Executive Summary a national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling by updating the IAS19 assessment for the Authority. In doing this the IAS19 assessment was also updated for two other issues:

- GMP - All Pension schemes must equalise between males and females which generates additional liabilities. The impact on the Authority is not material but has been adjusted for in the revised IAS19 valuation.
- As is usual practice the original IAS19 valuation was based on an estimate of fund assets at the end of the year. This has been updated to reflect the value of fund assets in the draft 2018/19 East Sussex Pension Fund financial statements.

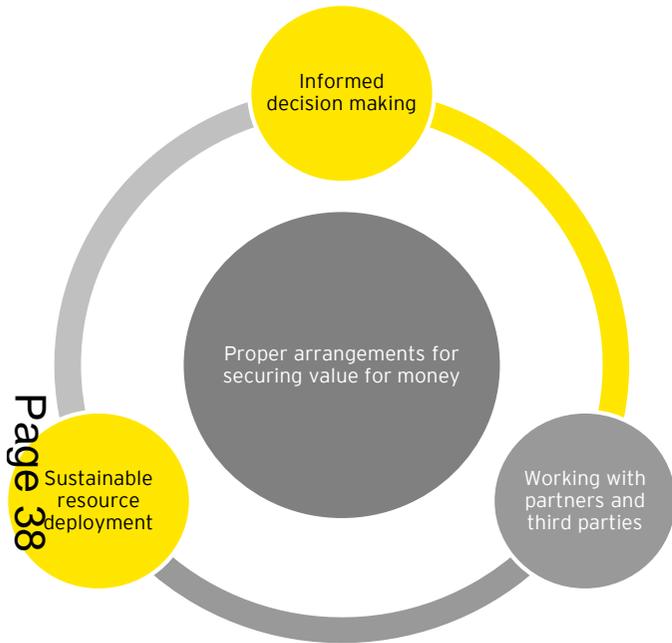
Adjustments made to the financial statements for the revised valuations are not yet available.

Some other related disclosures changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events, have also been **made**.



06

Value for Money Risks



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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 2018/19 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 in relation to the specified criterion in our audit planning. We have revisited our planning assessment and concluded that our judgements at the time of planning remain the same. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



07 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 2018/19 with the audited financial statements.

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

Financial information in the Statement of Accounts 2018/19 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

In addition to 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

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. There are no issues to report.



08

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

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

Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to 31 March 2019 to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



09 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

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 2018/19, 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 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 analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then 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.



10 Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 8 January 2019.

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 and your Scrutiny and Audit Panel consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Scrutiny and Audit Panel on 25 July 2019.

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 2018 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

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Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided have been provided on a contingent fee basis.

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.

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 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have complied with Auditor Guidance Note 1 issued by the NAO.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work	23,690	23,690	23,690	32,260



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11

Appendices

Required communications with the Scrutiny and Audit Panel

There are certain communications that we must provide to the audit committees 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 presented at the Scrutiny and Audit Panel 31 January 2019.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit Planning Report presented at the Scrutiny and Audit Panel 31 January 2019.
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 Results Report presented at the Scrutiny and Audit Panel 25 July 2019

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 presented at the Scrutiny and Audit Panel 25 July 2019
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. 	Request for Scrutiny and Audit Panel to approve the letter of representation from management at the Scrutiny and Audit Panel meeting on 25 July 2019
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: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. 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. 	<p>Enquiries by letter to the Chair of the Scrutiny and Audit Panel dated 18 March 2019.</p> <p>We have no matters to report.</p>

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 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019.</p> <p>We have no matters to report</p>
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>	<p>Initial reporting in the Audit Planning Report presented at the Scrutiny and Audit Panel 31 January 2019.</p> <p>Confirmation in the Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019</p>
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. 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019.</p> <p>We have no matters to report.</p>
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 audit committee may be aware of 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019.</p> <p>We have no matters to report.</p>

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. 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019.</p> <p>We have no matters to report.</p>
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 	<p>Request for Scrutiny and Audit Panel to approve the letter of representation from management at the Scrutiny and Audit Panel meeting on 25 July 2019</p>
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 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019.</p> <p>We have no matters to report.</p>
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	<p>Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019</p>
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 	<p>Initial reporting in the Audit Planning Report presented at the Scrutiny and Audit Panel 31 January 2019</p> <p>Confirmation in the Audit Results Report presented at the Scrutiny and Audit Panel 25 July 2019</p>

Management representation letter

Management Representation 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 2019. 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 2019 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 2018/19.

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 2018/19.

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 2018/19, and are free of material misstatements, including omissions. 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 2018/19, 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. To be confirmed on completion of work.

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 no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;

Management representation letter

- 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 held through the year to the most recent meeting on 25 July 2019:
 - Scrutiny & Audit Panel;
 - Policy & Resources Panel; and
 - Fire Authority Meetings

1. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
2. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
3. 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 Note 36 to 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.

Management representation letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
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 sincerely,

Assistant Director Resources / Treasurer

Chair of the Scrutiny & Audit Panel

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

East Sussex Fire Authority

Statement of Accounts

2018/19

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

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

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

Narrative Report by the Treasurer

Introduction

The purpose of the Statement of Accounts is to give the reader clear information about the Fire Authority's finances for the year ended 31 March 2019. 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. The membership of the Authority during the 2018/19 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 2018/19. This is an unfunded scheme (i.e. it is not backed by investments) into which employee and employer contributions are paid and from which pension payments are made. The account is topped up by a grant from Government if the contributions are insufficient to meet the cost of pension payments in any one year.

Narrative Report by the Treasurer

Changes to accounting policies

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

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2018, and applies for accounting periods commencing on or after 1 April 2018.

The Code of Practice on Local Authority Accounting 2018/19 (the Code) highlights the following key updates/changes in accounting practice:

- Additional guidance on the principles of revenue recognition and a revised section on Revenue from Contracts with Service Recipients following the adoption of IFRS 15 Revenue from Contracts with Customers
- New disclosure requirements under IAS 7 Statement of Cash Flows for additional analysis of Cash Flows from Financing Activities
- A change in the reporting requirements for debtors and creditors following removal of the disclosure requirements for the analysis of debtors and creditors across public sector organisations
- Adoption of IFRS 9 Financial Instruments introduced extensive changes to the classification and measurement of financial assets along with relevant disclosure requirements as a consequence of the expected credit loss model for impairment of non-contractual debts.

Financial Report

This section of the Statement of Accounts for 2018/19 sets out:

- The construction of the original budget for 2018/19.
- The final outturn for 2018/19.

Setting the Revenue Budget for 2018/19

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) recognised that there was 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 proposals to change the Business Rates Retention regime, the Fairer Funding Review and a Comprehensive Spending Review covering the last two years of this Parliament. It was assumed 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. You can find out more about the IRMP at <https://www.esfrs.org/about-us/publication-of-information/strategies-plans-and-performance-information/community-risk-analysis/integrated-risk-management-planning/>.

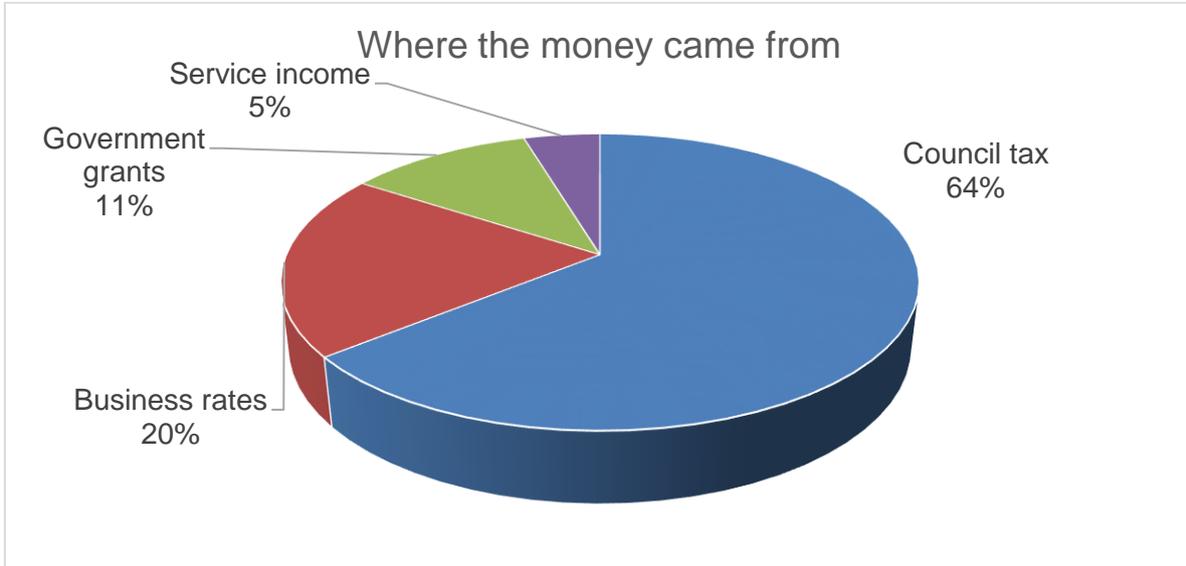
In February 2018 the Authority set its revenue budget for 2018/19 at £38.140m a 2.0% increase on the previous year. Savings of £0.686m which were expected to grow to £0.721m by 2021/22 were included. The main savings continued to come from phased reductions in crewing levels across the Service (Riding at Standard). The Fire Authority also agreed to a small increase in its Council Tax of 2.94%, a percentage point higher than the previous year taking advantage of the higher referendum threshold set by the Government. Revenue Support Grant from Central Government was cut by £0.864m (19.1%) to £3.660m. 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 planned contribution of £1.200m. In 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, following the national revaluation exercise and the Pool was dissolved. However for 2018/19 the Pool was reformed with the expectation that it would yield the Authority £0.150m.

In setting the 2018/19 Revenue Budget the Fire Authority had achieved a balanced position in the medium term, although this assumed that all savings targets would be achieved.

Narrative Report by the Treasurer

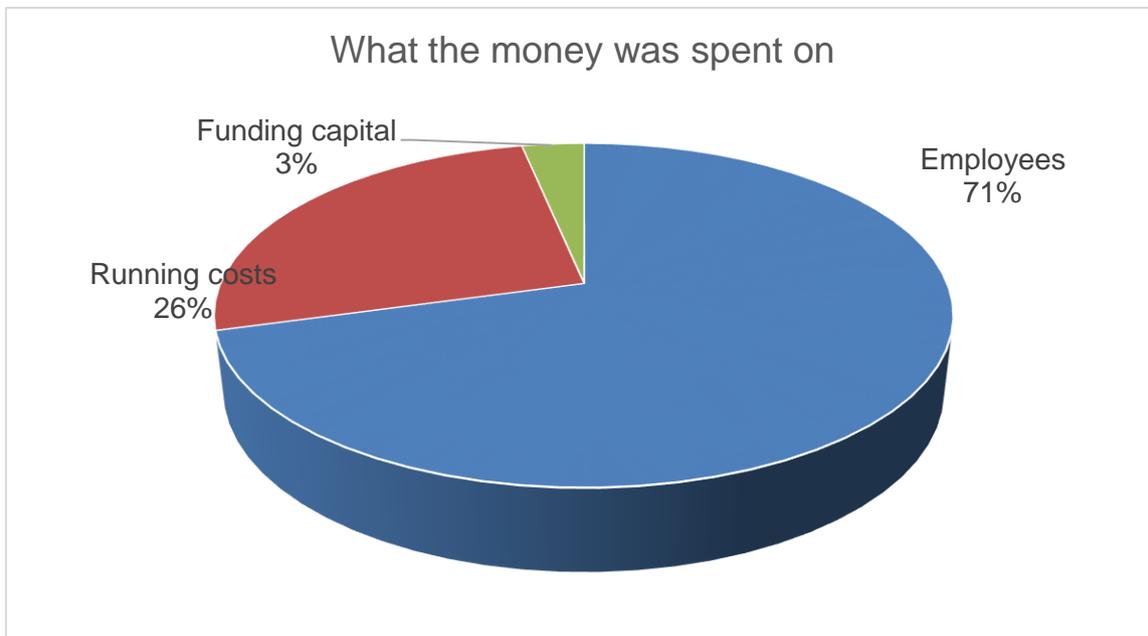
Revenue Expenditure and Income

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



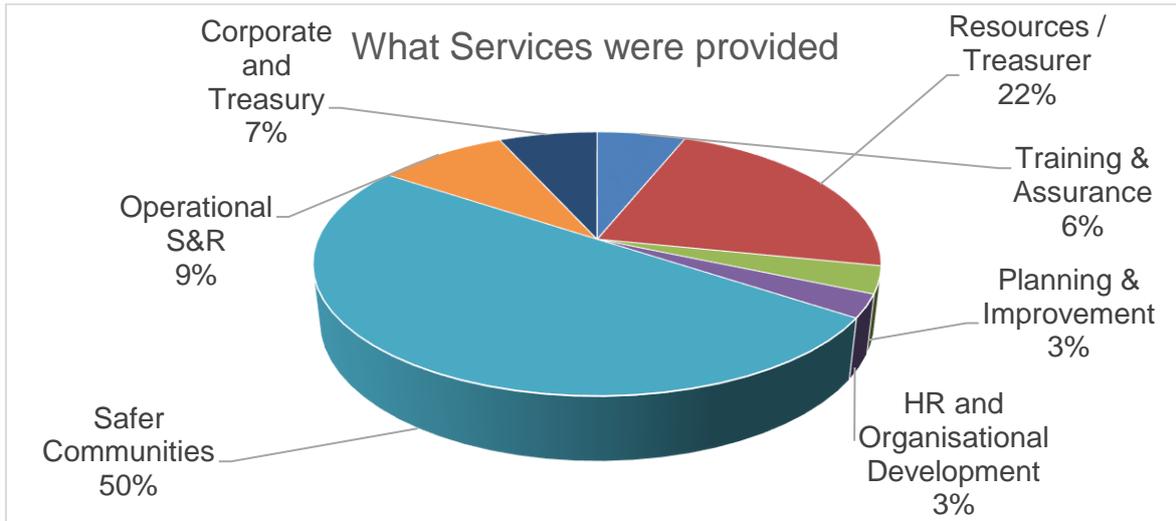
The majority 64% comes from the Council Tax payers of East Sussex and the City of Brighton & Hove. The two other main sources are Government Grants and Business Rates at 11% and 20% respectively. The Service generates income representing 5%.

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 71% of expenditure. Running expenses including the cost of premises, transport and supplies and services accounted for 26% of the total, 3% is made up of the cost of funding capital expenditure including the costs associated with loans taken out to invest in the Fire Authority's services.

The third and final chart shows the cost of providing the services of the Authority across our different departments:



The Authority's focus is on services to local communities and this is reflected by the fact that 50% 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 (22%) supports service delivery providing IT, 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 (7%) includes Principal Officers and their direct support, treasury management, various non service costs such as injury benefits as well as the corporate contingency. Training and Assurance (6%) delivers all operational training (with a few specialist exceptions) and commercial training based at Service Training Centre and a team of specialist training staff. It also includes Health and Safety advice as well as advising managers on legal compliance, policy formulation, training and safety performance monitoring activities. Planning and Improvement (3%) 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.

Narrative Report by the Treasurer

Analysis of the Revenue Budget

The table below sets out the main components of the Revenue Budget for 2018/19 and how these compare with the actual outturn:

	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance against revised budget £'000
Training and Assurance	2,318	2,274	2,246	(28)
Resources/Treasurer	6,951	7,970	8,269	299
Planning and Improvement	1,139	1,228	1,235	7
Total Deputy Chief Fire Officer	10,408	11,472	11,750	278
Human Resources and OD	911	1,127	1,056	(71)
Safer Communities	18,271	18,411	18,653	242
Operational Support	3,581	3,458	3,310	(148)
Total Assistant Chief Fire Officer	22,763	22,996	23,019	23
CFO Staff	655	688	675	(13)
Treasury Management	2,056	1,422	1,288	(134)
Non Delegated costs	541	559	528	(31)
Corporate Contingency	569	50	0	(50)
Transfer to Reserves	1,148	2,470	2,617	147
Transfer from Reserves		(1,517)	(1,517)	0
Total Corporate	4,969	3,672	3,591	(81)
Total Net Expenditure	38,140	38,140	38,360	220
Financed By:				
Council Tax	(26,173)	(26,173)	(26,173)	0
Business Rates	(7,594)	(7,594)	(7,741)	(147)
Revenue Support Grant	(3,660)	(3,660)	(3,667)	(7)
S31 Grants	(412)	(412)	(671)	(259)
Collection Fund Surplus/Deficit	(301)	(301)	(301)	0
Total Financing	(38,140)	(38,140)	(38,553)	(413)
Total Over / (Under) Spend	0	0	(193)	(193)

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

The Authority's original estimate of net revenue expenditure for the year was £38.140m. 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 £38.360m and better than expected income of £38.553m resulted in a small underspend of £0.193m which will be transferred into earmarked reserves. Unexpected increases in retained Business Rates including the return of Levy safety net funds and small grants gave an additional £0.413m 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 were as a result of:

- A £299,000 overspend in Resources / Treasurer including a £297,000 overspend in the Information Technology Group reflecting increased costs as the Authority invests in IT to support business change and the use of agency staff to cover vacant posts;
- A £242,000 overspend in Safer Communities including an underspend of £233,000 in Business Safety partly offsetting a £468,000 overspend on operational firefighters where numbers exceeded the agreed establishment whilst an internal restructure was implemented;
- A £148,000 underspend in Operational Support and Resilience including £226,000 underspend in equipment where planned purchases of operational equipment were delayed whilst operational needs were reviewed;

Narrative Report by the Treasurer

- There have also been windfall grant receipts relating to the refund of Retained Business Rates and other section 31 Grants with an underspend of £259,000.

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. In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy forms part of the Authority's Medium Term Financial Plan. The level of the Fire Authority General Fund Balance has been reduced from £3.142m to £2.417m which is in line with the Authority's Reserves Strategy approved in February 2019 which takes a risk based approach to determine the General Fund balance should be set at a minimum level of 6% of the Revenue Budget. The reduction in General Balances of £0.625m was used to fund costs related to the ongoing Sussex Control Centre (SCC) Project and the balance of this is held in an earmarked reserve.

The Authority's revenue balances have increased by £1.293m to £16.175m at 31 March 2019 (including the 2018/19 Revenue Budget underspend of £0.193m) of which 85% is held for specific purposes. With the addition of the Capital Reserves of £9.477m this means that total usable reserves stand at £25.651m 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 £13.758m, 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 and the delivery of efficiencies. Other earmarked reserves cover the IT Strategy, Emergency Services Communication Project, Sprinkler Installation and the SCC Project. 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 2018/19 is £4.174m higher than planned (£25.652m actual against £21.478m planned). The main reasons for this are the decreased use of earmarked reserves as projects are delayed as well as much better than expected gains from the Business Rates Pool. Additionally, reduced capital spend meaning the expected £1,624,000 draw down from capital receipts reserve has not been required, although this is in part off-set by the delay in the sale of Fort Road for which the capital receipt of £515,000 is now expected in 2019/20.

The Capital Programme

In 2018/19, the Authority spent £1.010m 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 sources of funding in 2018/19 were contributions from the Revenue Account (£0.566m) and Government grant (£0.013m) with the balance funded 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 £1.785m. The larger schemes during the year were general property schemes (£0.234m) and the purchase of vans and cars (£0.680m). The underspend of £0.775m compared to the revised budget was mostly an aggregation of slippage of spend into 2019/20 in particular replacement fire appliances, fireground radios and other ancillary equipment, as the Service reviewed its requirements in these areas.

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 2018/19 no loans were repaid and no new borrowing was undertaken, so total borrowing ended the financial year at £10.773m.

At its meeting in February 2019 the Fire authority approved a Capital Programme for 2019/20 of £6.728m which will be financed by capital receipts of £6.296m and £0.432m from internal sources. Slipped schemes, mainly the purchase of fire appliances and radio equipment, from 2018/19 are likely to increase the 2019/20 Capital Programme by £0.766m to £7.494m. This increase will be funded by an increased use in Capital Receipts (£0.575m), earmarked reserves (£0.191m) and Government Grant (£0.037m).

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 will be considered by Scrutiny and Audit Panel on 5 June 2019, 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=25796>

Narrative Report by the Treasurer

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 £423.031m at the start of the year to £442.278m at 31 March 2019. Note 35 to the accounting statements provides more detailed information. The resultant impact on the CIES is a charge of £25.309m to reflect the present value of the defined benefit obligation and an Actuarial gain on pension assets and liabilities of £6.062m. The explanation from the Actuary for the Actuarial gain is due to the life expectancy assumption having been updated. The net liability for both the firefighters and local government pension schemes reflect the impact of the McCloud / Sergeant judgement which ruled that transitional protections introduced with new schemes in recent years were discriminatory and therefore unlawful. 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 2018/19, agreed in February 2018 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 £0.206m at an average rate of 0.80% (compared to the Bank of England base rate which started the 2018/19 financial year at 0.5% and increased to 0.75% in July 2018 where it has remained 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. Funds were also loaned on a fixed term basis to another UK local authority for the first time.

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.

2019/20 and beyond

The Authority's budget for 2019/20 was set at £39.037m, an increase of 2.4% 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 £93.67. 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 £1.80 per week (for the average household). The Medium Term Finance Plan (MTFP) for the five years to 2023/24 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 following the final year of the multi-year funding settlement and the first year of the East Sussex Business Rates Retention Pilot (giving two scenarios of a 5% and a 7.5% year on year reduction in overall level of funding from core Government grant and business rates)
- The delivery of the Authority's existing savings plan which since 2010/11 has already achieved £8.744m (to the end of 2018/19).
- A planning assumption that the Authority will continue make small increases in its Council Tax of up to 2% each year to reduce the impact reductions in central government funding.

The MTFP indicates a need to make a further savings of between £2.837m and £3.727m in order to balance the Authority's budget by 2023/24.

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 two 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.

Narrative Report by the Treasurer

Officers will continue to explore the potential for further efficiencies, which as a minimum must meet the identified funding gap by 2023/24, 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 where good progress is being made but work is still at a relatively early stage. There needs to be an increased focus on delivering a greater return on investment, increasing the level of cashable and developing new income streams as the activities within the strategy are matured. In addition the Operational Response Review will need to identify options which can help to ensure that the Authority remains financially sustainable 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 14 to 18.

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 11 to 13 of these accounts.

Duncan Savage

Assistant Director Resources / Treasurer

25 July 2019

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the East Sussex Fire Authority as at 31 March 2019 and its income and expenditure for the year ended. These financial statements replace the unaudited financial statements authorised for issue on the 31 May 2019.

Duncan Savage

Assistant Director Resources / Treasurer
25 July 2019

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 2019 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 and the related notes 1 to 37; and include 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 2018/19.

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 2019 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 2018/19.

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 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 Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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 Statement and Annual Governance Statement, other than the financial statements and our auditor's report thereon. The 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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General 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 2019.

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 Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 10, the 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the 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 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.

*Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
25 July 2019*

Annual Governance Statement for the year ended 31 March 2019

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 Accounts and Audit Regulations 2015 require the Authority to prepare an annual governance statement, which must accompany the statement of accounts. 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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

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 the activities through which it accounts to, engages with its communities. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an 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 2019 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The Annual Governance Statement (AGS) provides a summary of the extent to which the Authority meets the seven principles of good governance as identified in the “Delivering Good Governance in Local Government” Framework 2016.

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

The Authority's Purpose and Commitments are at the centre of everything that we do and are published on our website. The Authority has a strong culture based on our shared values of pride, accountability, integrity and respect. The Authority achieves this by adopting, monitoring and keeping under review:

- A Code of Conduct for Members, built upon the Nolan Principles of Public Life;
- An Officer Code of Conduct;
- A Register of Members' Interests;
- A register of Officer Declarations of Conflicts of Interest and declarations of Gifts and Hospitality accepted;
- Comprehensive induction programmes for both Officers and Members built on the standards of behaviour expected, supported by appropriate training;
- A Competency Framework and Appraisal Scheme used for improving organisational performance through focusing and reviewing each individual's ability and potential;
- Inclusion, Equality and Diversity Strategy;
- Member Panels with clear responsibilities for governance, audit and standards;
- Effective Anti-Fraud, Bribery and Corruption policies allowing for reporting and actioning any incidents; and
- A whistleblowing policy providing protection to individuals raising concerns.

The Authority ensures that appropriate legal, financial and other professional advice is always considered as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law.

The roles of the Authority's statutory officers are outlined in the Constitution, there are clear arrangements for the discharge of the statutory functions of the Head of Paid Service, Monitoring Officer and Treasurer. The Authority also ensures compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer.

The Authority is transparent about how decisions are taken and recorded. The Authority does this by:

- Ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government);
- Having rules and procedures which govern how decisions are made.

The Authority has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Authority ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the authority by the public and processes are in place to progress any complaints that are made.

Principle B – Ensuring openness and comprehensive stakeholder engagement

The Authority responds to the views of stakeholders and the community in the following ways:

- Publishing 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 a published medium term finance plan;
- Regular, published reporting of performance against the Authority's key performance indicators, as set out in the Annual Plan;
- The Authority has approved and implemented a comprehensive Communications & Consultation Strategy setting out a range of methods of engaging with the community and stakeholders, include those groups which are harder to reach;
- The Authority recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;
- The Authority has a clear guidance and defined approach which promotes good governance in our partnership working and collaboration;
- Providing the public with the opportunity to ask questions, submit petitions or make representations to the Authority;
- Publishing a Three Year Strategic Plan incorporating the Integrated Risk Management Plan (IRMP) providing information in relation to the Authority;
- Providing a modern, effective IT strategy and solution that meets the needs and aspirations of the organisation and the communities that we serve.

The Authority understands the key role that it has to play in supporting collaboration and partnership working within East Sussex and the City of Brighton & Hove and the role that our partners play in assisting the Authority to deliver on its objectives.

The Authority ensures good governance in respect of partnerships and collaboration by:

- Having an approved and published Collaboration Framework containing clear collaboration priorities
- Reviewing and evaluating partnerships on a regular basis;
- Auditing partnership and collaboration frameworks and policies through internal audit; and
- Ensuring that partnerships and collaborations offer value and contribute to the Authority's strategic objectives.

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

The Authority publishes on our website our Annual Plan which reports on what has been achieved during the past year and what we intend to achieve to meet our purpose and commitments for the forthcoming year. The document outlines our vision and values and is used as the basis for all corporate and service planning.

In delivering its vision and corporate priorities, the Authority reports regularly on activities, performance and the financial position. Timely, objective and understandable information relating to the Authority's activities, achievements, performance and financial position is provided through the publishing of:

- A Three Year Strategic Plan incorporating the Integrated Risk Management Plan;
- A Medium Term Financial Plan;
- A clear framework for financial governance based on Contract Standing Orders and Financial Regulations;
- Established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to Officers and Members;
- Externally audited accounts;
- Detailed performance information.

The Authority considers the governance implications of its actions and has undertaken an external review of its corporate governance. The Authority has established and updated its Local Code of Corporate Governance to be consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

The Authority is committed to delivering high quality services to the public in an efficient and effective way. The Authority does this by:

- Delivering services to meet local needs through the Three Year Strategic Plan incorporating the Integrated Risk Management Plan, and putting in place policies and procedures to ensure that they operate effectively in practice;
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors;
- Actively pursuing and implementing collaboration opportunities with the Police, Ambulance and other Fire Services;
- Responding positively to the findings and recommendations of external auditors, reviewers and statutory inspectors and putting in place arrangements for the implementation of agreed actions;
- Comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering alternative means of service provision, processes and procurement to maximise opportunities and improve value for money where appropriate.

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

To achieve this, the Authority has:

- A detailed Medium Term Financial Plan which includes actions to ensure financial sustainability;
- A performance management framework to ensure plans are met and remedial action taken;
- Processes in place to ensure that data quality is high, so as to enable objective and rigorous decision making;
- Monthly Senior Leadership Team (SLT) meeting together with regular Assistant Director meetings where issues are raised and actions agreed;
- A risk management process to identify where interventions may be required;
- A sound understanding of Service demand (current and future) which informs resource allocation decisions.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Authority ensures that the necessary roles and responsibilities for effective Governance are identified and allocated through its Constitution so that it is clear who is accountable for decisions that are made. The Authority does this by:

- Electing a Chair, establishing Panels and nominating Member Leads with defined responsibilities;
- A clear scheme of delegated responsibilities to the Senior Management;
- Undertaking a regular review of the Constitution;
- Having effective and comprehensive arrangements for the scrutiny of services;
- Making the Chief Fire Officer responsible and accountable for all aspects of operational management;
- Ensuring that at all times arrangements are in place for the proper administration of its financial affairs (S112 Officer);
- Ensuring that at all times arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer);
- Developing protocols that ensure effective communications between Members and Officers.

The Authority commissioned, in year, an independent review of its own Corporate Governance, the outcome of which was reported to and fully discussed by the Combined Fire Authority.

The Authority aims to identify the development needs of Members and Senior Officers in relation to their strategic roles and ensure that they are supported by appropriate training. The Authority ensures that those charged with governance have the skills, knowledge and experience they need to perform well. The Authority does this by:

- Operating robust and transparent recruitment and selection processes;
- Cascading regular information to Members and staff;
- Regular Member Seminars providing a forum for sharing information, consultation, training and demonstration of operational procedures;
- Providing resources that support Member and Officer development;
- Promoting schemes supporting ongoing professional development;
- Undertaking the annual appraisal of the Chief Fire Officer and setting objectives that contribute to the Authority's vision, strategy and plans and that incorporate key development needs.

The Authority is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer to the Authority is professionally qualified and suitably experienced. He plays a central role in providing a strategic insight to the direction and control of Authority business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to the economic, efficient and effective use of resources. He works closely with the Chief Fire Officer in ensuring the finance function provided is fit for purpose and that the management of the Authority's resources is robust.

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

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified and the Constitution is amended accordingly.

The Authority has a risk management strategy and risk management framework, which takes account of both strategic and operational risks and ensures they are appropriately managed and controlled. This approach aids the achievement of its strategic priorities, supports its decision making processes, protects the Authority's reputations and other assets and is compliant with statutory and regulatory obligations. The Authority ensures that the risk management approach:

- Enables a culture of risk awareness;
- Formally identifies and manages risks;
- Involves elected members in the risk management process;
- Maps risks to financial and other key internal controls;
- Documents and records details of risks in a risk management information system;
- Monitors the progress in mitigating significant risks, and reports this to Members;
- Reviews and, if required, updates its risk management process at least annually;
- Considers risk within all projects.

The Authority utilises the findings and suggestions of Internal Audit, External Audit, HMICFRS and other review agencies, statutory bodies and inspectorates to assist in the management of risk and performance.

The Scrutiny & Audit Panel provides independent assurance of the risk management framework and the internal control environment. It provides an independent review of the Authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

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

To achieve this, the Authority:

- Publishes relevant information relating to salaries, business interests and performance data on its website;
- Has a Procurement team who provide advice and issue clear guidelines for procuring goods and services;
- Has a Scrutiny & Audit Panel operating in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA);
- Publishes information to the Authority and its Panels as part of established accountability mechanisms;
- Acts upon the findings or recommendations of Internal and External Audit Reports;
- Prepares an Annual Governance Statement;
- Prepares an Annual Statement of Operational Assurance;
- Prepares an Annual Service Plan.

The Authority is committed to the publication of transparent performance information. This includes, but is not limited to, the following:

- Budget reports;
- Operational performance reports;
- A Medium Term Financial Plan;
- Annual Plan;
- Statement of Accounts;
- Annual Governance Statement;
- Statement of Operational Assurance;
- Information as required under the Local Government Transparency Code.

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 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 Internal Audit including individual reports and their overall annual report and opinion;
- the Authority's External Auditors in their Annual Audit Letter and Audit Results Report;

- the judgements of other review agencies, statutory bodies and inspectorates including HMICFRS.

5. Assurance & 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. The Authority is fully committed to the principles of corporate governance. The Assurance and Governance Group monitors the progress on the governance issues contained within the Annual Governance Statement. Those issues that were ongoing at 31 March 2019 will be included in the 2019/20 action plan.

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 this 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 are 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 as 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.

(i) Review the strategic planning process

Continue the process of rationalising and aligning our suite of corporate strategies to be reflected in an overarching policy document outlining the new framework. This will include work to streamline the Authority's Strategies and Internal Meeting structure. (DCFO) (continuing action).

(ii) Improved Performance Monitoring

Improve the Authority's performance monitoring against the Corporate Plan/IRMP. This will include the introduction of a new Business Intelligence System and a revised approach to monitoring key performance indicators. (ADP&I) (continuing action)

(iii) Improved Information Security Arrangements

Continue to improve the Authority's Information Security arrangements, including the introduction of a new Information Security Management Strategy. (ADR/T) (continuing action)

(iv) Implement the findings of the Governance Review

Agree an action plan and implement the necessary changes and update processes as recommended by the independent review of the Authority's governance arrangements (DCFO)

(v) Review of Constitution including the Scheme of Delegation

Review the Constitution and Scheme of Delegation (including financial delegations) to meet the changing needs of the organisation. This work is inextricably linked to the work resulting from the Governance Review. There will be clearer determination of where matters should be considered. A review of financial delegations is being undertaken to include budget limits. (DMO/SDSO)

(vi) Hackitt Review & Grenfell Tower Inquiry

Continued involvement and provision of response to the Hackitt Review and the Grenfell Tower Inquiry and implement any subsequent changes in legislation (ACFO)

(vii) RIPA

Ensure compliance with Regulation of Investigatory Powers Act (RIPA) following the findings of the external policy review being conducted by Aristi (DCFO)

(viii) Management of Road Risk Policy

Review the Management of Road Risk Policy and the effectiveness of arrangements for ensuring compliance in response to the review by Internal Audit (ADOSR)

(ix) Health & Safety Management System

Implement the revised Health and Safety Management Framework (ADOPS)

Councillor Roy Galley, Chairman, Scrutiny & Audit Panel

Movement in Reserves Statement

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.

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)

Movement in Reserves Statement

2018/19	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 2018 carried forward	3,142	9,477	11,740	-	24,359	(381,384)	(357,025)
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure	(25,899)	-	-	-	(25,899)	7,610	(18,289)
Adjustments between accounting basis & funding basis under regulations (Note 7)	27,192	-	-	-	27,192	(27,192)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,293	-	-	-	1,293	(19,582)	(18,289)
Transfers to/(from) Earmarked Reserves (Note 8)	(2,018)	-	2,018	-	-	-	-
Increase/(Decrease) in Year	(725)	-	2,018	-	1,293	(19,582)	(18,289)
Balance at 31 March 2019	2,417	9,477	13,758	-	25,652	(400,966)	(375,314)

Comprehensive Income and Expenditure Statement

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

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,494	(104)	2,390	Training & Assurance	3,035	(75)	2,960
10,190	(1,025)	9,165	Resources/Treasurer	10,504	(783)	9,721
1,073	-	1,073	Planning & Improvement	1,414	(7)	1,407
1,074	(1)	1,073	Human Resources & Organisational Development	1,170	(2)	1,168
18,548	(239)	18,309	Safer Communities	30,182	(217)	29,965
7,114	(2,268)	4,846	Operational Support & Resilience	7,577	(2,094)	5,483
1,294	(23)	1,271	Corporate	1,599	(20)	1,579
41,787	(3,660)	38,127	Cost of Services	55,481	(3,198)	52,283
		(1,368)	Other operating expenditure (Note 9)			28
		10,662	Financing and investment income and expenditure (Note 10)			11,896
		(37,586)	Taxation and non-specific grant income (Note 11)			(38,308)
		9,835	Deficit on Provision of Services			25,899
		(4,120)	Surplus on revaluation of Property, Plant and Equipment assets (Note 21)			(1,547)
		17,420	Actuarial (gains) / losses on pension liabilities (Note 35)			(6,062)
		13,300	Other Comprehensive Income and Expenditure			(7,609)
		23,135	Total Comprehensive Income and Expenditure			18,290

Balance Sheet

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

31 March 2018 £000		Notes	31 March 2019 £000
52,125	Property, Plant & Equipment	12	52,023
52,125	Long Term Assets		52,023
20,011	Short Term Investments	13	22,015
-	Assets Held for Sale	17	-
828	Payments in Advance	15	845
48	Inventories	14	55
3,699	Short Term Debtors	15	3,611
5,135	Cash and Cash Equivalents	16	4,306
29,721	Current Assets		30,832
(4,531)	Short Term Creditors	18	(4,632)
-	Short Term Borrowing	13	-
(217)	Provisions	19	(299)
(4,748)	Current Liabilities		(4,931)
(423,031)	Liabilities related to defined benefit pension schemes	35	(442,278)
(10,773)	Long Term Borrowing	13	(10,773)
(319)	Provisions	19	(187)
-	Capital Grants Receipts in Advance	30	-
(434,123)	Long Term Liabilities		(453,238)
(357,025)	Net Assets		(375,314)
24,359	Usable Reserves	20	25,652
(381,384)	Unusable Reserves	21	(400,966)
(357,025)	Total Reserves		(375,314)

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 2019 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 2019.

Duncan Savage

Assistant Director Resources/Treasurer

The statement was approved by the Scrutiny and Audit Panel on 25 July 2019.

Cash Flow Statement

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

2017/18		2018/19
Restated*		
£000		£000
9,835	Net Deficit on the provision of services	25,899
(13,299)	Adjustments to net deficit on the provision of services for non-cash movements (Note 22)	(27,579)
4,524	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	12
1,060	Net cash flows from Operating Activities	(1,668)
(2,458)	Investing Activities (Note 23)	2,497
200	Financing Activities (Note 24)	-
(1,198)	Net (increase) or decrease in cash and cash equivalents	829
3,937	Cash and cash equivalents at the beginning of the reporting period	5,135
5,135	Cash and cash equivalents at the end of the reporting period (Note 16)	4,306

*The 2017/18 figures are being restated due to a reclassification of the Collection Fund debtors/creditors balances previously included within cash flows for financing activities

Expenditure and Funding Analysis

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.

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	2017/18				2018/19		
	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
	2,307	83	2,390	Training & Assurance	2,246	714	2,960
	8,800	365	9,165	Resources/Treasurer	8,269	1,452	9,721
	968	105	1,073	Planning & Improvement	1,235	172	1,407
	970	103	1,073	Human Resources & Organisational Development	1,056	112	1,168
	18,467	(158)	18,309	Safer Communities	18,653	11,312	29,965
	3,301	1,545	4,846	Operational Support & Resilience	3,310	2,173	5,483
	1,251	20	1,271	Corporate	1,200	379	1,579
	36,064	2,063	38,127	Net Cost of Services	35,969	16,314	52,283
	(35,403)	7,111	(28,292)	Other Income and Expenditure from the Expenditure and Funding Analysis	(37,262)	10,878	(26,384)
	661	9,174	9,835	Surplus or Deficit	(1,293)	27,192	25,899
			15,543	Opening General Fund Balance (including Earmarked Reserves)			14,882
			(661)	Less/Plus Surplus or Deficit on General Fund Balance In Year			1,293
			14,882	Closing General Fund Balance (including Earmarked Reserves)			16,175

Notes to the Accounting Statements

Authorisation of Statement of Accounts

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 25 July 2019) 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 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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. Going Concern

These accounts have been prepared on a going concern basis. The Authority has sufficient resources to fund its financial obligations and although there is significant uncertainty about future funding for the fire service and local authorities nationally, at this stage the Authority has no concerns about its financial viability over the foreseeable future. In common with other fire authorities the Authority has a significant deficit on its balance sheet primarily as a result of its net liability for the unfunded Firefighter Pension Scheme. There are statutory arrangements in place to fund this deficit and therefore it does not affect the Authority's continued operation on a going concern basis.

iii. 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.

iv. Revenue recognition

The Authority accounts for revenue recognition in accordance with IFRS 15 Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). No adjustments have been required to revenue on the transition to the new standard from 1 April 2018.

v. 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:

Notes to the Accounting Statements

- 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.

vi. 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.

vii. 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.

viii. 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.

ix. 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.

x. 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 73.

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 2018, the actuary assumed a discount rate of 2.7% 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 2019, the actuary has advised that a rate of 2.4% 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

Notes to the Accounting Statements

- 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.

xi. 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.

xii. 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

Notes to the Accounting Statements

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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument), these are classified as fair value through profit or loss. The Authority does not hold any assets at fair value through other comprehensive income.

Financial Assets Measured at Amortised Cost:

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 5 years from 1/4/18) any

Notes to the Accounting Statements

unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Financial Instrument Revaluation Reserve in the Balance Sheet.

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

Expected Credit Losses

The Authority recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise.

Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the County Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

xiii. 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.

xiv. 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.

xv. 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.

xvi. 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.

xvii. 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
- 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.

Notes to the Accounting Statements

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

xviii. 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.

xix. 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.

xx. Revenue Expenditure Funded from Capital under Statute

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

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

Notes to the Accounting Statements

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

Notes to the Accounting Statements

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 2019/20 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2019. 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 16 Leases: This standard 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). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 23 Uncertainty over Income Tax Treatments: This standard provides additional guidance on income tax treatment where there is uncertainty.
- IFRS 9 Financial instruments - Prepayment features with negative compensation: Amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

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 2019 and there is therefore no impact on the 2018/19 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 2019 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</p>	<p>It is estimated that the annual depreciation charge would increase by £446,000 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>

Notes to the Accounting Statements

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
<p>circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.</p>		<p>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 £16,000 for every 1% increase in the valuations carried out during 2018/19.</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>The estimate provided by the Fund's actuary of the potential impact of the McCloud/Sargeant ruling is difficult to quantify at this stage and the estimate depends on several key assumptions.</p>	<p>It is estimated that:</p> <p>A £48,538,000 increase in the pension liability would result if the real discount rate was to be decreased by 0.5%.</p> <p>A £14,669,000-£15,898,000 increase in the pension liability would result if member life expectancy was increased by 1 year.</p> <p>A £7,242,000 increase in the pension liability would result if the salary increase rate was increased by 0.5%.</p> <p>A £37,748,000 increase in the pension liability would result if the pension increase rate was increased by 0.5%.</p>	<p>The retirement benefit obligation is assessed annually by the schemes actuary in accordance with IAS 19 'Employee Benefits' and is updated if events have not coincided with the actuarial assumptions made for the last valuation or if the assumptions have changed.</p> <p>The assumptions are set based on advice from the schemes actuaries and experience. The key assumptions used are set out in Note 36.</p> <p>The actuarial methods and advice provided on assumptions used are carried out in accordance with the Pensions Technical Actuarial Standards.</p>

Notes to the Accounting Statements

5. Material items of income and expense

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 25 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following the denial of the UK Government's request to appeal on the 27 June 2019, the accounts have been adjusted to include the estimated impact of the McCloud/Sargean ruling on the Local Government Pensions Scheme and the Firefighters' Pension Schemes liabilities. For more information see page 69.

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.

2018/19	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	(25,309)	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(257)	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	25	-	-
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)	(2,648)	-	-
Total Adjustments to Revenue Resources	(28,189)	-	-
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)	431	-	-
Capital expenditure financed from revenue balances	566	-	-
Total Adjustments between Revenue and Capital Resources	997	-	-
Adjustments to Capital Resources			

Notes to the Accounting Statements

Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	-	-	-
Total Adjustments	(27,192)	-	-

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)	-

Notes to the Accounting Statements

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Capital Programme	5,381	(69)	528	5,840	(2,077)	999	4,762
Other Earmarked	7,020	(2,931)	1,811	5,900	(1,517)	4,613	8,996
Total	12,401	(3,000)	2,339	11,740	(3,594)	5,612	13,758

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, Safer Business Training, Sussex Control Centre (SCC) and Wholtime Firefighter Recruitment.

9. Other Operating Expenditure

	31 March 2018 £000	31 March 2019 £000
(Gains)/losses on the disposal of non-current assets	(1,368)	28
Total	(1,368)	28

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 2018 £000	31 March 2019 £000
Interest payable and similar charges	503	496
Impairment on financial instruments (under IFRS 9)	-	4
Pensions interest cost and expected return on pensions assets	10,283	11,602
Interest receivable and similar income	(124)	(206)
Total	10,662	11,896

11. Taxation and Non Specific Grant Income

	31 March 2018 £000	31 March 2019 £000
Council tax income	25,348	26,261
Non domestic rates	7,166	7,695
Revenue support grant	4,524	3,667
Other revenue grants	266	673
Capital grants and contributions	123	12
Fire Transitional Grant	122	-
Donated Assets	37	-
Total	37,586	38,308

Notes to the Accounting Statements

12. Property, Plant, and Equipment

Movements in 2018/19:	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 2018	44,532	16,725	382	-	61,639
Additions	317	693	-	-	1,010
Revaluation increases recognised in the Revaluation Reserve	273	-	18	-	291
Revaluation decreases recognised in the Revaluation Reserve	(74)	-	-	-	(74)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	60	-	-	-	60
Revaluation decreases recognised in the deficit on the Provision of Services	(11)	-	-	-	(11)
Transfers within PPE	-	-	-	-	-
Derecognition – disposals	-	(830)	-	-	(830)
At 31 March 2019	45,097	16,588	400	-	62,085
Accumulated Depreciation and Impairment					
At 1 April 2018	-	(9,514)	-	-	(9,514)
Depreciation charge	(1,431)	(1,350)	-	-	(2,781)
Depreciation written out to the Revaluation Reserve	1,330	-	-	-	1,330
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	4	-	-	-	4
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	97	-	-	-	97
Transfers within PPE	-	-	-	-	-
Derecognition – disposals	-	802	-	-	802
At 31 March 2019	-	(10,062)	-	-	(10,062)
Net Book Value					
At 31 March 2019	45,097	6,526	400	-	52,023
At 31 March 2018	44,532	7,211	382	-	52,125

Notes to the Accounting Statements

Comparative 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

The Authority had no Intangible, Infrastructure, Heritage or Community Assets at 31 March 2019.

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

Notes to the Accounting Statements

Capital Commitments

Over the five year period, 2019/20 to 2023/24, the Authority is planning gross capital expenditure of £27.054m (based on the agreed Capital Asset Strategy and subsequently agreed variations). This is planned to be funded using government grants (£0.037m), capital receipts (£9.992m), reserves (£7.453m), planned revenue contributions (£1.808m) and internal funds of £0.881m with the need to borrow starting 2021/22 totalling £6.920m.

The approved capital programme shows that in 2019/20 the Authority plans to spend £7.494m (adjusted for actual spend in 2018/19), funded by government grant (£0.037m), reserves (£0.191m), capital receipts (£6.871m) and internal borrowing (£0.432m). Having adjusted for the actual outturn in 2018/19, slippage on projects and for provisions where there is no contractual commitment, the net commitment profiles for schemes in progress at 31 March 2019 are shown below:

2019/20	2020/21	2021/22	2022/23	2023/24	Total (£m)
2.504	2.720	0.288	-	-	5.512

The Fire Authority had no assets under construction as at 31 March 2019 (none at 31 March 2018).

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.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total PPE
	£000	£000	£000	£000
Valued at historical cost	-	16,559	-	16,559
Valued at fair value at 31 March 2019	45,097	-	400	45,497
Valued at fair value at 31 March 2018	-	29	-	29
Valued at fair value at 31 March 2017	-	-	-	-
Total	45,097	16,588	400	62,085

Notes to the Accounting Statements

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

There was one property classed as surplus as at 31 March 2019, and also in the previous year. The fair value hierarchy of surplus assets is as follows:

		31 March 2019			
		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
Recurring fair value measurements using:					
Surplus assets		-	-	400	400

		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
Recurring fair value measurements using:					
Surplus assets		-	-	382	382

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

Notes to the Accounting Statements

13. Financial Instruments

Categories of Financial Instruments

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

Financial Assets	1 April 2018	31 March 2019
	£000	£000
Fair value through profit or loss		
Long Term Investments	2,795	5,648
Total	2,795	5,648
Amortised Cost		
Long Term Investments	20,011	18,015
Short Term Investments	2,340	2,658
Short Term Debtors	2,138	1,869
Total	24,489	22,542
Total Financial Assets	27,284	28,190
Non Financial Assets	1,561	1,741
Total	28,845	29,931

Financial Liabilities	1 April 2018	31 March 2019
	£000	£000
Amortised Cost		
Long Term Borrowings	(10,773)	(10,773)
Short Term Borrowings	-	-
Short Term Creditors	(2,620)	(2,448)
Total	(13,393)	(13,221)
Total Financial Liabilities	(13,393)	(13,221)
Non Financial Liabilities	(1,109)	(1,446)
Total	(14,502)	(14,667)

Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2019 was £5.6m, an increase of £2.8m from the opening balance at 1 April 2018. Financial assets include £5.6m (carrying amount £5.6m) low volatility money market funds (LVNAV). At 1 April 2018 there was £2.8m invested in constant net asset value (CNAV) money market funds which were reclassified in year as LVNAV under European Money Market reform.

There were no financial liabilities designated at fair value through profit or loss.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

No financial assets or liabilities were classed as fair value through other comprehensive income.

Reclassifications

No financial assets or liabilities were re-classified during the year.

Notes to the Accounting Statements

Income, Expense, Gains and Losses

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss – fair value	-	-	-	-
Total net (gains) / losses	-	-	-	-
Interest revenue:				
Financial assets measured at amortised cost	(124)	-	(206)	-
Interest expense:				
Financial assets measured at amortised cost	503	-	496	-

Fair Value

Basis for recurring fair value measurements:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/18 £000	As at 31/3/19 £000
Fair Value through Profit or Loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	2,795	5,648

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

Notes to the Accounting Statements

Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value but for which fair value disclosures are required

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. 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 payable, PWLB prevailing market rates (have been applied to provide the fair value under PWLB debt redemption procedures).
- For non-PWLB loans payable, PWLB prevailing market rates 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;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities held at amortised cost	(10,773)	(15,757)	(10,773)	(14,079)
Short Term Creditors	(2,620)	(2,620)	(2,448)	(2,448)
Total	(13,393)	(18,377)	(13,221)	(16,527)

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2019, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial assets held at amortised cost	20,011	20,011	18,015	18,015
Long Term Debtors	2,138	2,138	1,869	1,869
Short term investments	2,340	2,340	2,658	2,658
Total	24,489	24,489	22,542	22,542

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Notes to the Accounting Statements

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

	31 March 2019			
	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				
Financial liabilities held at amortised cost	-	(14,079)	-	(14,079)
Short Term Borrowing	-	-	-	-
Short Term Creditors	-	(2,448)	-	(2,448)
Total	-	(16,527)	-	(16,527)
Financial assets				
Financial assets held at amortised cost	-	20,673	-	20,673
Short Term Debtors	-	1,869	-	1,869
Total	-	22,542	-	22,542

	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				
Financial liabilities held at amortised cost	-	(15,757)	-	(15,757)
Short Term Borrowing	-	-	-	-
Short Term Creditors	-	(2,620)	-	(2,620)
Total	-	(18,377)	-	(18,377)
Financial assets				
Financial assets held at amortised cost	-	22,351	-	22,351
Short Term Debtors	-	2,138	-	2,138
Total	-	24,489	-	24,489

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, new borrowing (certainty rate) discount rates have been applied to provide the fair value;
- 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;

Notes to the Accounting Statements

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 2018	31 March 2019
	£000	£000
Balance outstanding at start of year	33	48
Purchases	230	284
Recognised as an expense in the year	(215)	(277)
Balance outstanding at year-end	48	55

Stocks include diesel fuel and equipment.

15. Debtors

	31 March 2018	31 March 2019
	£000	£000
Current Debtors		
Government HMRC	193	210
Accounts Receivable debtors	567	72
Collection Fund debtors	1,368	1,531
Other debtors	1,571	1,798
Total	3,699	3,611

The decrease in Accounts receivable debtors as at 31 March 2019 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.

There were no long term debtors as at 31 March 2019 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 2019 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 £0.115m to £1.166m (from £1.051m in 2017/18).

Payments in advance increased by £0.017m to £0.845m in 2018/19 (from £0.828m in 2017/18).

16. Cash and Cash Equivalents

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

	31 March 2018	31 March 2019	Movement
	£000	£000	£000
Cash in hand	49	70	21
Bank current accounts	5,334	4,428	(906)
Cash overdrawn	(248)	(192)	56
Total Cash and Cash Equivalents	5,135	4,306	(829)

Notes to the Accounting Statements

17. Assets held for Sale

	2017/18	2018/19
	£000	£000
Balance outstanding at start of year	3,033	-
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	-	-
Revaluations	-	-
Accumulated Depreciation	-	-
<u>Assets declassified as held for sale:</u>		
Assets sold	(3,033)	
Balance outstanding at year end	-	-

18. Creditors and Income in Advance

	31 March 2018	31 March 2019
	£000	£000
Government HMRC creditors	649	663
Accounts payable	565	514
Collection Fund	350	666
Other creditors	2,165	2,051
Income in Advance	802	738
Total	4,531	4,632

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 £0.299m as at 31 March 2019 which relates to NNDR appeals (£0.217m at 31 March 2018). There was also a long term provision for £0.187m for outstanding payments as a result of the Norman v Cheshire case in relation to pensionable allowances (£0.319m as at 31 March 2018).

20. Usable Reserves

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

	31 March 2018	31 March 2019
	£000	£000
Usable Capital Receipts Reserve	9,477	9,477
Capital Grants & Contributions Unapplied	-	-
Earmarked Reserves	11,740	13,758
General Fund balances	3,142	2,417
Total Usable Reserves	24,359	25,652

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	5,512	9,477
Amounts receivable during the year	4,401	-
Amounts applied to finance new capital investment	(436)	-
Net Transfer to/(from) the Capital Receipts Reserve	3,965	-
Balance at 31 March	9,477	9,477

Notes to the Accounting Statements

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

21. Unusable Reserves

	31 March 2018	31 March 2019
	£000	£000
Revaluation Reserve	18,038	19,038
Capital Adjustment Account	23,315	22,211
Pensions Reserve	(423,031)	(442,278)
Collection Fund Adjustment Account	376	119
Accumulated Absences Account	(82)	(56)
Total Unusable Reserves	(381,384)	(400,966)

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.

	2017/18		2018/19	
	£000	£000	£000	£000
Balance at 1 April		14,270		18,038
Upward revaluation of assets	8,453		1,732	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,658)		(29)	
Reversal of previous years revaluation losses	(1,675)		(156)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,120		1,547
Difference between fair value depreciation and historical cost depreciation	(247)		(547)	
Accumulated gains on assets sold or scrapped	(105)		-	
Amount written off to the Capital Adjustment Account		(352)		(547)
Balance at 31 March		18,038		19,038

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.

Notes to the Accounting Statements

	2017/18	2018/19	
	£000	£000	£000
Balance at 1 April	25,215		23,315
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	(2,133)	(2,781)	
Revaluation losses on Property, Plant and Equipment	(1,014)	(7)	
Revaluation loss reversals on Property, Plant and Equipment	1,675	156	
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	(3,033)	(28)	
	(4,505)		(2,660)
Adjusting amounts written out of the Revaluation Reserve	352	547	
Net written out amount of the cost of non-current assets consumed in the year	(4,153)		(2,113)
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	436	-	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	123	12	
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	431	
Capital expenditure charged against the General Fund	1,218	566	
	2,216		1,009
Donated assets	37	-	
Balance at 31 March	23,315		22,211

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	(394,685)	(423,031)
Actuarial gains/losses on pensions assets and liabilities	(17,420)	6,062
Reversal of items relating to retirement benefits credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(20,862)	(36,830)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,936	11,521
Balance at 31 March	(423,031)	(442,278)

Notes to the Accounting Statements

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	390	376
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	(12)	(286)
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	(2)	29
Balance at 31 March	376	119

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	(134)	(82)
Settlement or cancellation of accrual made at the end of the preceding year	134	82
Amounts accrued at the end of the current year	(82)	(56)
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	52	26
Balance at 31 March	(82)	(56)

Notes to the Accounting Statements

22. Cash Flow Statement - Operating Activities

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

	2017/18	2018/19
	Restated*	
	£000	£000
Depreciation	(2,133)	(2,781)
Impairment and downward valuations	661	149
(Increase) / decrease in creditors	1,690	(101)
Increase in interest creditors	(241)	-
Increase / (decrease) in debtors	703	432
Increase in interest debtors	3	7
Increase / (decrease) in stock	16	6
Impairment movements on Investments	-	(3)
Pension Liability	(10,926)	(25,309)
Contributions (to) / from provisions	(75)	50
Donated Assets	37	-
Carrying amount of PPE sold	(3,034)	(29)
Total Adjustment	(13,299)	(27,579)

*Restated due to a reclassification of Collection Fund debtors/creditors previously included within cash flows for financing activities

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

	2017/18	2018/19
	£000	£000
Capital Grants and Contributions credited to deficit on provision of services	123	12
Proceeds from the Sale of PPE	4,401	-
Total Adjustment	4,524	12

The cash flows for operating activities include the following items:

	2017/18	2018/19
	£000	£000
Interest received	(121)	(199)
Interest paid	263	496

23. Cash Flow Statement – Investing Activities

	2017/18	2018/19
	£000	£000
Purchase of property, plant and equipment	2,016	1,011
Purchase of short-term and long-term investments	-	2,000
Proceeds from the sale of property, plant and equipment	(4,401)	-
Other receipts from investing activities	(73)	(514)
Net cash flows from investing activities	(2,458)	2,497

Notes to the Accounting Statements

24. Cash Flow Statement – Financing Activities

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

	2017/18 Restated* £000	2018/19 £000
Repayment of Short-Term and Long-Term Borrowing	200	-
Net cash flows from financing activities	200	-

*Restated due to a reclassification of Collection Fund debtors/creditors previously included within cash flows for financing activities

Reconciliation of liabilities arising from Financing Activities

	1 April 2018	Financing cash Flows	Non cash changes		31 March 2019
			Acquisition	Other non- cash changes	
	£000	£000	£000	£000	£000
Long Term borrowing	10,773	-	-	-	10,773
Short term borrowing	-	-	-	-	-
Total liabilities from financing activities	10,773	-	-	-	10,773

	1 April 2017	Financing cash Flows	Non cash changes		31 March 2018
			Acquisition	Other non- cash changes	
	£000	£000	£000	£000	£000
Long Term borrowing	10,773	-	-	-	10,773
Short term borrowing	200	(200)	-	-	-
Total liabilities from financing activities	10,973	(200)	-	-	10,773

Notes to the Accounting Statements

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 2018/19 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.

Adjustments between Funding and Accounting Basis

2018/19				
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	714	(1)	714
Resources/Treasurer	1,287	163	2	1,452
Planning & Improvement	-	172	-	172
Human Resources & Organisational Development	-	111	1	112
Safer Communities	-	11,315	(3)	11,312
Operational Support & Resilience	1,344	853	(24)	2,173
Corporate	-	379	-	379
Net Cost of Services	2,632	13,707	(25)	16,314
Other income and expenditure from the Expenditure and Funding Analysis	(982)	11,602	258	10,878
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,650	25,309	233	27,192

Notes to the Accounting Statements

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

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.

Notes to the Accounting Statements

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

	2017/18	2018/19
	£000	£000
Income from Services		
Training & Assurance	(104)	(75)
Resources/Treasurer	(1,025)	(783)
Planning & Improvement	-	(7)
Human Resources & Organisational Development	(1)	(2)
Safer Communities	(239)	(217)
Operational Support & Resilience	(2,268)	(2,094)
Corporate	(23)	(20)
Total income analysed on a segmental basis	(3,660)	(3,198)

B. Expenditure and Income is analysed by nature below:

	2017/18	2018/19
	£000	£000
Expenditure		
Employee benefits expenses	28,344	28,320
Other services expenses	21,688	35,285
Support service recharges	565	847
Depreciation, amortisation, impairment	1,472	2,637
Interest payments	504	496
(Gain)/loss on the disposal of assets	(1,368)	28
Total expenditure	51,205	67,613
Income		
Fees, charges and other service income	(3,660)	(3,198)
Interest and investment income	(124)	(207)
Income from council tax and non-domestic rates	(32,514)	(33,956)
Government grants and contributions	(5,072)	(4,353)
Total income	(41,370)	(41,714)
Deficit on the Provision of Services	9,835	25,899

Notes to the Accounting Statements

26. Members' Allowances

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

	2017/18	2018/19
	£000	£000
Allowances	72	74
Expenses	1	1
Total	73	75

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

2018/19	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Mrs Dawn Whittaker (Chief Fire Officer & Chief Executive)	142,861	-	-	-	20,429	163,290
Deputy Chief Fire Officer	115,661	-	-	-	25,098	140,759
Assistant Chief Fire Officer	107,451	-	-	-	15,365	122,816
Assistant Director Resources/Treasurer	77,162	-	-	-	13,960	91,122
Assistant Director Operational Support and Resilience	64,535	-	-	-	13,914	78,449
Assistant Director Safer Communities	70,279	-	-	-	10,050	80,329
Assistant Director HR and Org. Dev. (Note 1)	30,597	-	3,601	10,000	5,431	49,629
Assistant Director Training and Assurance	62,886	-	-	-	11,281	74,167
Assistant Director Planning and Improvement	58,631	-	-	-	10,545	69,176

Notes:

1. Terminated employment on 30/9/2018

Notes to the Accounting Statements

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
Assistant Director Safer Communities	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.

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	2017/18	2018/19
	Number of employees	Number of employees
£50,000 to £54,999	17	25
£55,000 to £59,999	12	7
£60,000 to £64,999	1	6
£65,000 to £69,999	1	1
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1

Notes to the Accounting Statements

28. Exit Packages

Reporting of the Authority and other compensation schemes - Exit Packages

2018/19 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	12	2	11	3	23
£20,000 to £39,999	-	-	1	22	1	22
£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	12	3	33	4	45

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

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.

	2017/18 £000	2018/19 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	31	26
National rebate received from Public Sector Audit Appointments (PSAA)	(5)	-
Total	26	26

30. Grant Income

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2018/19

	2017/18 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	7,166	7,695
Revenue Support Grant	4,524	3,667
Capital Grants & Contributions recognised	123	12
Other Revenue Grants	266	673
Fire Transitional Grant	122	-
Total	12,201	12,047
Credited to Services		
Home Office ESMCP	850	658
New Dimensions	67	26
Firelink	232	239
Control Room Grant	119	-
Responding to New Risks	21	-
Other grants	-	10
Total	1,289	933

Notes to the Accounting Statements

The Authority received a Revenue grant in 2017/18 .023m for the LGA Behavioural Insights Grant that has subsequently been recognised as income in 2018/19 after the conditions attached to it had been satisfied. There were no conditional grants received in advance in 2018/19.

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 2019 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 £0.269m in 2018/19 (£0.263m in 2017/18)

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 £0.139m in 2018/19 (£0.191m in 2017/18)

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 2018/19 is shown in Note 26.

Notes to the Accounting Statements

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.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	10,973	10,773
Capital Investment		
Property, Plant and Equipment	2,016	1,010
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance		
Capital receipts	(436)	-
Government grants & other contributions	(123)	(13)
Sums set aside from revenue		
Direct Revenue contributions	(1,218)	(566)
Minimum Revenue Provision	(439)	(431)
Closing Capital Financing Requirement	10,773	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.

<i>Explanation of movements in year</i>	2017/18 £000	2018/19 £000
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 also leases the office space at the Sussex Police HQ site in Lewes. The authority paid £0.153m on leases in 2018/19 (£0.156m in 2017/18).

The future minimum lease payments payable in future years are:

	31 March 2018 £000	31 March 2019 £000
Not later than one year	155	155
Later than one year and not later than five years	547	505
Later than five years	879	782
Total	1,581	1,442

Notes to the Accounting Statements

Authority as Lessor

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

Operating Leases – The Authority leases out Property, Plant and Equipment under operating leases in relation to space on its aerial masts and space at Fire Stations and received £0.040m in 2018/19 (£0.037m in 2017/18).

The future minimum lease payments receivable in future years are:

	31 March 2018	31 March 2019
	£000	£000
Not later than one year	36	35
Later than one year and not later than five years	128	122
Later than five years	211	172
Total	375	329

34. Impairment and Revaluation Losses

During 2018/19, revaluation losses recognised in the Cost of Services totalled £0.007m (£1.01m in 2017/18). The higher amount in 2017/18 is largely due to the entire property portfolio being revalued following a change in valuer.

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 74 to 76. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition, the Authority has liabilities for discretionary payments for added years, and other benefits both for local government employees and for Firefighters. These are charged as an expense to the accounts of the Authority, rather than those of the Pension Fund.

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

Notes to the Accounting Statements

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	
2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
2,179	2,266	8,400	7,600
-	161	-	15,200
-	-	-	-
283	303	10,000	11,300
2,462	2,730	18,400	34,100
67	(1,997)	-	-
-	-	(4,000)	(30,300)
(1,147)	5,235	(6,800)	30,200
-	-	29,300	(9,200)
1,382	5,968	36,900	24,800
(246)	(4,747)	(28,100)	(14,500)
1,136	1,221	8,800	10,300

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:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of the defined benefit obligations:					
Local Government Pension Scheme	(46,585)	(43,854)	(51,547)	(53,427)	(62,036)
Firefighters Pension Schemes	(384,300)	(334,000)	(384,300)	(412,400)	(426,900)
Fair value of assets in the Local Government Pension Scheme	33,115	34,256	41,162	42,796	46,658
Deficit in the scheme:					
Local Government Pension Scheme	(13,470)	(9,598)	(10,385)	(10,631)	(15,378)
Firefighters Pension Schemes	(384,300)	(334,000)	(384,300)	(412,400)	(426,900)
Total	(397,770)	(343,598)	(394,685)	(423,031)	(442,278)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £488.9m (£465.8m in 2017/18) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £442.3m (£423.0m in 2017/18).

Notes to the Accounting Statements

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over a 20 year period, as assessed by the scheme actuary.

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 2019 is employee members £36.8m (£29.8m 31 March 2018), deferred pensioners £8.7m (£7.6m) and pensioners £16.5m (£16.0m). There was no liability in respect of LGPS unfunded pensions at 31 March 2019 (none at 31 March 2018). 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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April:	51,547	53,427	384,300	412,400
Current Service Cost	2,179	2,266	8,400	7,600
Interest Cost	1,361	1,467	10,000	11,300
Contributions by scheme participants	360	384	1,800	1,800
Re-measurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	-	-	(4,000)	(30,300)
• Actuarial gains/losses arising from changes in financial assumptions	(1,147)	5,235	(6,800)	30,200
• Other	-	-	29,300	(9,200)
Past Service Cost	-	161	-	15,200
Losses/(gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(873)	(904)	(10,300)	(11,800)
Liabilities extinguished on settlements	-	-	-	-
Unfunded Benefits paid	-	-	(300)	(300)
Other	-	-	-	-
Closing balance at 31 March:	53,427	62,036	412,400	426,900

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening fair value of scheme asset at 1 April:	41,162	42,796	-	-
Interest Income	1,078	1,164	-	-
Re-measurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(67)	1,997	-	-
• Other	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,136	1,221	8,800	10,300
Contributions from employees into the scheme	360	384	1,800	1,800
Benefits paid	(873)	(904)	(10,300)	(11,800)
Other	-	-	(300)	(300)
Closing fair value of scheme assets at 31 March:	42,796	46,658	-	-

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 £3.2m (2017/18: £1.0m).

Notes to the Accounting Statements

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2017/18 £000	%	Fair value of scheme assets 2018/19 £000	%
Cash and cash equivalents	1,680	4	1,859	5
Equity instruments:				
By industry type				
• Consumer	797	2	555	1
• Manufacturing	422	1	382	1
• Energy and utilities	72	-	110	-
• Financial institutions	1,295	3	520	1
• Health and care	733	2	85	-
• Information technology	610	1	-	-
• Other	230	1	91	-
Sub-total equity	4,159	10	1,743	3
Bonds:				
By sector				
• Government	1,186	3	1,129	2
• Other	76	-	864	2
Sub-total bonds	1,262	3	1,993	4
Private equity:				
All	2,449	6	2,869	6
Sub-total private equity	2,449	6	2,869	6
Other investment funds:				
• UK Property	4,104	10	4,370	9
Sub-total other investment funds	4,104	10	4,370	9
Investment funds and unit trusts:				
• Equities	23,570	54	25,755	56
• Bonds	4,937	12	7,678	16
• Hedge Funds	43	-	30	-
• Commodities	63	-	79	-
• Infrastructure	473	1	277	1
• Other	47	-	10	-
Sub-total Investment funds and unit trusts	29,133	67	33,829	73
Derivatives:				
• Foreign exchange	9	-	(5)	-
Total assets	42,796	100	46,658	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 2019 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	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity for current pensioners:				
• Men	22.1	22.1	29.5	27.3
• Women	24.4	24.4	31.5	29.4
Longevity for future pensioners:				
• Men	23.8	23.8	30.8	28.4
• Women	26.3	26.3	32.8	30.6
Rate of inflation	2.4%	2.5%	3.4%	3.5%
Rate of increase in salaries	2.8%	2.9%	3.4%	3.5%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%
Take-up of option to convert annual pension into retirement lump sum	50%/75%	50%/75%	90%	90%

Notes to the Accounting Statements

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

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

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

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

Change in assumptions at 31 March 2019:

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
12%	7,324
3-5%	1,861-3,102
2%	1,420
9%	5,759
10%	41,214
3%	12,808
1%	5,822
7%	31,989

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 was 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 £442.3m (£15.4m Local Government Pension Scheme and £426.9m 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 2019/20 the Authority anticipates paying £1.386m contributions to the Local Government Pension scheme, £3.776m 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 18.1 years (21.8 years for injury pensions).

McCloud/Sargeant ruling

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the Local Government Pension scheme as well.

Notes to the Accounting Statements

The UK Government requested leave to appeal to the Supreme Court which was subsequently denied on 27th June 2019. In light of this ruling the Authority requested revised IAS 19 reports from the Fund's actuary to reflect the estimated impact on pension liabilities for both the Local Government Pension scheme and the Firefighters' Pension scheme.

Quantifying the impact at this stage is difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

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.

Working Time Directive

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.

Swift Water Rescue

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 matter is due to be subject binding arbitration through ACAS. .

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;

Notes to the Accounting Statements

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 15th February 2018 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £13.63 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 is available on the authority's website.

Credit Risk Management Practices

The Authority's credit risk management practices are set out in the Treasury Management Strategy, with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Treasury Management Strategy 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 & Poor's Credit Ratings Services. The Treasury Management Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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 2019 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 Link 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 Link 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 2019 that this was likely to crystallise.

Notes to the Accounting Statements

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2018	5	-	6	11
Change in credit loss	(2)	-	(5)	(7)
Closing balance 31 March 2019	3	-	1	4

12 Month ECL includes treasury investments, and Lifetime ECL (simplified approach) includes both system and non trade debtors.

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 sums due from customers) is as follows:

	2017/18	2018/19
	£000	£000
Less than one year (current assets)	26,718	28,118
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	26,718	28,118

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:

Notes to the Accounting Statements

	Approved Minimum Limit	Approved Maximum Limit	2017/18	2018/19
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	2,620	2,448
Between one and two years	0%	40%	-	-
Between two and five years	0%	60%	956	1,356
Between five and ten years	0%	80%	2,472	2,622
More than ten years	0%	80%	7,345	6,795
			13,393	13,221

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 2018/19 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	56
Impact on Surplus or Deficit on the Provision of Services	56

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.056 million (£0.028 million at 31 March 2018) 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.

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.

Firefighters' Pension Fund Accounts

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.

Firefighters' Pension Fund Accounts

Fund Account

2017/18 £000		2018/19 £000
	Contributions Receivable:	
(2,186)	Contributions in relation to pensionable pay	(2,248)
(4,451)	Top up grant received	(5,173)
(92)	Ill Health charges	(31)
(1,839)	Firefighters contribution	(1,829)
(8,568)		(9,281)
-	Transfers in from other authorities	-
	Benefits Payable:	
9,065	Pensions	9,528
2,041	Commutations and Lump Sum Retirement Benefits	2,021
-	Lump Sum Death Benefits	-
-	Other payments	450
11,106		11,999
	Payments to and on account of leavers:	
-	Transfers out to other authorities	61
-		61
2,538	Net amount Payable for year	2,779
(2,538)	Top up grant payable by the government	(2,779)
-		-

Net Assets Statement

31 March 2018 £000		31 March 2019 £000
	Current Assets:	
-	Contributions due from fire authority	-
-	Recoverable overpayments of pensions	-
2,538	Top-up grant receivable from the government	2,779
-	Cash and Cash Equivalents	-
	Current Liabilities:	
(2,538)	Cash overdrawn	(2,779)
-	Unpaid pensions benefits	-
-	Amount of grant payable to the government	-
-		-

Firefighters' Pension Fund Accounts

1. Employer Contributions

The Fire Authority bore pension contributions as the employer, totalling £2.248m (£2.186m 2017/18) 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 £0.031m (£0.092m in 2017/18) and injury portions of pensions totalling £0.296m (£0.277m in 2017/18) 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.

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.

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.

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.

Going Concern

The key accounting concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

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 (PPE)

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

Provisions

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

Public Works Loan Board (PWLB)

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

Related Parties

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

Reserves

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

Revenue

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

Revenue Expenditure Funded from Capital Under Statute

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

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

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

Unusable Reserves

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

Usable Reserves

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

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[To be prepared on the entity's letterhead]
[Date]

Helen Thompson
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 2019. 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 2019 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 2018/19.

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 2018/19.
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 2018/19, and are free of material misstatements, including omissions. 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.

Letter of representations: Audit of Council only 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 2018/19, 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 no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any 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:

Letter of representations: Audit of Council only financial statements

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Authority and committees held through the year to the most recent meeting on 25 July 2019:
 - Scrutiny & Audit Panel;
 - Policy & Resources Panel; and
 - Fire Authority Meetings
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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 Note 36 to the financial statements all guarantees that we have given to third parties.

Letter of representations: Audit of Council only financial statements

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 Statement and the Annual Governance Statement.
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.

Letter of representations: Audit of Council only financial statements

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 sincerely,

Assistant Director Resources / Treasurer

Chair of the Scrutiny & Audit Panel

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EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny and Audit Panel

Date 25 July 2019

Title of Report : Contract Standing Orders - Waivers Summary August 2018 to date

By Assistant Director Resources / Treasurer

Lead Officer Claire George, Procurement Manager

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 in the remainder financial year 18/19 and thus far in 19/20, as required by Contract Standing Order (CSO) 7.4

EXECUTIVE SUMMARY: The Treasurer, after consultation with the Procurement Manager, Deputy Monitoring Officer and the Chairman has approved a total of nine waivers from August 2018 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, to mitigate limited market options and/or any detriment due to supply disruption.

RECOMMENDATION: To note the report & consider whether any further information is required.

MAIN ISSUES

1 Summary of waivers granted

- 1.1
1. Project 21 Consultancy – Option Appraisal (Aug 18)
 2. Fire and Rescue Indemnity Company (FRIC) (Sept 18)
 3. CIPFA – Financial Services Review (Oct 18)
 4. Breathing Apparatus (BA) Chambers Remedial Works Project (Jan 19)
 5. Cleaning Services (March 19)
 6. Project 21 Consultancy - Continuation (April 19)
 7. Integrated Fundraising (June 19)
 8. Tax Helpline (June 19)
 9. Preston Circus Design Consultancy (July 19)

2 Summary of each waiver granted

2.1 Project 21 Consultancy – Items 1 & 5

The Authority operates mobilising services for itself and West Sussex FRS at Sussex Control Centre, under a Section 16 agreement, however this arrangement ends in May 2021 and the Authority must therefore consider options for the future provision.

Service delivery models across the sector have changed significantly since the collapse of the Regional Control Centre project and equally, the Authority's strategic objectives have evolved.

The Authority did not have the capacity or expertise to carry out a robust option appraisal and develop a transition plan and therefore acted to secure this work externally, as set out to Urgency Panel in August 2018.

Mott MacDonald were appointed by direct award, due to their significant expertise and experience in similar work, advising DCLG, Fire, Police and Ambulance services over 23 years.

The work packages defined under this waiver will see the project to completion.

Contract value: £117, 937

2.2 Fire and Rescue Indemnity Company (FRIC)

At the Fire Authority meeting of 6th September 2018, Members were asked to approve a proposal for the Authority to join the Fire and Rescue Indemnity Company (FRIC), an entity formed by other Fire and Rescue Authorities to act as a pool for insurance purposes from 1 April 2019.

The Authority purchases insurance cover to meet its statutory requirements and mitigate risk. In the past this was arranged by tendering for services using an EU compliant process with the support of a broker. The current five year agreement was due to expire on 31 March 2019 and after conducting an option appraisal, officers

selected a collaborative approach through joining a FRIC, formed by other Fire and Rescue Authorities to act as a pool for insurance purposes.

Under Pooling arrangements, all participating FRS would share the cost of establishing a pool fund from which any loss incurred by an individual member of the insurance pool would be met. The current arrangement was first established by nine FRS's in 2015 and a number of other fire authorities had either decided to join or were actively considering doing so.

Members were informed that the FRIC, with its fire specific focus had developed a risk management assessment process. It had established and supported the Fire & Rescue Risk Group (FARRG) and as a result, the process was more specifically suited to the sector. It was anticipated the collaborative learning from FARRG should help reduce the frequency and severity of claims, this would not only save FRIC money but also members operational and management time associated with incidents and related reputational impact.

The Fire Authority agreed the Authority's participation in this pooling arrangement, as full members of the Company, for an initial term of 3 years.

Members agreed to waive the Authority's existing procurement rules, which would require competing bids for the provision of insurance services, in order to achieve this. The indemnity company procure the insurance services via an OJEU compliant process.

Contract value: £983,000.

2.3 **CIPFA**

The Assistant Director Resources / Treasurer commissioned a review of the Authority's finance function, aimed to respond to a number of issues: to form the basis of a support service review; to assess the effectiveness of the service across both Orbis and ESFRS delivered elements; and to provide the basis for an improvement plan.

The waiver allowed us to contract direct with CIPFA. CIPFA is the professional body for finance and accounting in the public sector and has vast experience of conducting reviews of financial management across the sector. It has developed the Financial Management Model which is accepted as good practice across the public services. It is recognised by HM Treasury (UK) as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by HM Government (HMG UK) Finance Leadership Group (FLG) as the framework to be used for financial management self-assessments and has also recently conducted a review of Surrey CC, an independent review of PCC business cases and is currently working with Sussex Police.

The rates quoted by CIPFA are assessed as being consistent with the market rate for that level of resource.

Contract value: £20,000.

2.4 **BA Chambers Remedial Works Vehicle Conversions**

The original BA Upgrade project completed late summer 2017.

The facilities, following commissioning tests, failed to meet one of the primary design objectives to maintain internal space temperature of 40oC.

Following an independent review conducted by BLR Associates, a further project has been approved to address the issues with the original project – approved budget £240,000 (P&R Panel 17/01/2019).

We then needed to commission professional services to support the detail design and it was proposed that we appoint BLR Associates to carry out this detailed work on the basis that they have carried out the independent review and have detailed knowledge of the chambers and ESFRS requirements, both historic and relating to the specific defects with the existing facilities.

BLR prepared a fee proposal that met our requirements in terms of carrying out the duties of the Principle Designer under CDM Regulations, detail design works, cost planning, contract administration & site supervision.

The fee proposed aligned with the RIBA % fee scale of 10% for refurbishment works £100,001 - £200,000 with a traditional procurement route.

Contract value: £18,861 and a recommended contingency of £5,000.

2.5 **Cleaning Services**

ESFRS have, for the last number of years been using an East Sussex County Council (ESCC) let contract for cleaning services and contract management

ESCC retendered the contract late in 2018 for another three years and have let the contract to Environ.

ESFRS Procurement Department requested sight of the Invitation to Tender to ensure that ESFRS were named on the tender, and therefore eligible to avail of the services let, but upon receipt it was discovered that ESFRS are not named on the tender documentation and therefore unable to avail of the contract as at 1st April 2019.

Given the urgent nature of the securing a new provision, ESFRS entered into a six month contract with Sussex Police to allow for time to prepare documentation, and run & award a specific ESFRS cleaning contract via an approved public sector framework.

It was further recommended that this new contract be aligned with the contract period for the re tender of the Sussex Police cleaning contract, to facilitate a joint tender in the future should ESFRS decide to do so.

Contract value: £61,000.

2.6 **Integrated Fundraising**

In February 2019 we invited an independent fundraising consultant to a meeting at Eastbourne fire station to seek advice on the opportunity to develop grant funding through sponsorship, trusts and corporates, to support the delivery of a range of our

preventative activities including health – to include the role of our Health Co-ordinator, the expansion of our innovative GP referral project, and Excess Winter Deaths; Fire Cadets, Safety in Action and community volunteering.

The consultant provided a number of examples of fundraising work undertaken for large organisations and comes with a credible background in working across the Fire sector in particular. Some preliminary scoping work and market testing were conducted to establish what opportunities were available & a decision was taken to build on the information gathered at this preliminary stage & progress the opportunities identified.

This fundraising exercise is a one-off project to provide grants to undertake our new areas of prevention work within health and to support our prevention agenda with children and young people and with community volunteers. Any further work packages related to Integrated Fundraising will be subject to a competitive process.

Contract value: £10,750.

2.7 **Tax Helpline**

Historically, provision of a tax helpline has been a service we have been provided with, as a consequence of a larger contract let on behalf of East Sussex CC or subsequently via Orbis as they assumed more of this responsibility from ESCC.

The latest iteration of the contract, although not required by the ESCC contract standing orders, was subject to a three quote process, with quotes being received from Ernst and Young, PST and Pricewaterhouse Coopers. From those quotes Orbis have selected Ernst and Young to provide the service for the next three years.

However, as Ernst and Young provide our external audit service, there is a local conflict of interest to have them also providing our tax advice, and as such we cannot contract with them for the same service.

The supplier previously providing this service to us was PST, and they were the supplier who came second in the recent exercise run by Orbis.

Noting the provision has already been subject to a competitive process via Orbis, a direct appointment was made to PST for a 3 year contract.

Contract value £6,285.

2.8 **Preston Circus Design Consultancy**

The request was to engage Mackellar Schwerdt to provide multi-disciplinary design services for the Preston Circus Refurbishment. It was proposed that these services be procured on a single source waiver via Mackellar Schwerdt due to their detailed knowledge of the project gained via RIBA stage 1 & 2 on the basis that:

- Preston Circus is a complex building – the surveys carried out by MacKellar Schwerdt at feasibility and scheme design stages contain valuable information and would, should we continue their appointment not be required to be redone
- Although the building is not nationally listed, it is locally listed, MacKellar Schwerdt have had preliminary discussions with BHCC planners, to restart this conversation with a different consultant could both be detrimental in terms

of the relationship but also cause delays as the conversations would need to start again

- The learning that MacKellar Schwerdt have with regard to design guide needs and stakeholder requirements is paramount to the success of the project

Given how crucial consistency is and recognising the value that consultants with learned experience & an established relationship add at this stage, a waiver was agreed, however Procurement have sought assurance that all future consultancies of this type will adequately assess at inception, where the most beneficial and appropriate break points lie.

Contract value: £104,441.89.

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Scrutiny & Audit Panel
Date	25 July 2019
Title of Report	Safety Events Statistics Report – Q1, 2019-20
By	DCFO Mark O’Brien
Lead Officer	Hannah Scott-Youlton, Assistant Director – HR, OD, Training & Assurance
Lead Member	Councillor Lambert

Appendices	Appendix A – Full breakdown of statistics Appendix B - Additional Information Relating to the Breakdown of Age & Gender
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 Panel of the safety events, hazard reports and KPIs recorded for Q1, (April-June) 2019/20**

EXECUTIVE SUMMARY This Scrutiny & Audit report summarises safety events data and hazard reports received by the Health, Safety & Wellbeing Team for 2019/20.

This report also includes the report for the shared 3F KPIs, ESFRS Home Office Statistics, Level 2 Accident Investigations tracker and age and gender data .

RECOMMENDATION **The Scrutiny and Audit panel is asked to:**

i. **Consider the Quarter 1 health and safety statistics for 2019/20 as set out in the report.**

- ii. **Continue to monitor and scrutinise performance in 2019/20.**
 - iii. **Identify any areas where Members require further assurance.**
-

1. INTRODUCTION

1.1 This report contains quarter 1 statistics for 2019/20, compared with 2018/19 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 4 statistics.

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

There were 52 Level 1 Safety Events reported to the HSW Department in Q1 and they are spread across the five category types of incident as:

Injury sustained	23
Vehicle accident	10
Near Hit	16
Damage to premises/equipment	2
Ill health	1

This compares with 69 safety events reported in the same quarter in 2018-19. 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 2 RIDDOR reportable incidents in Q1 which compares with 0 reported in Q1 last year. The RIDDORs were:

- 1 member of the public taken directly to hospital after receiving a burn on the arm when moving an urn of boiling water during a community meeting; and
- 1 > 7 day absence for support staff member due to lower back and neck pain after driving a service vehicle.

Both of these are subject to a Level 2 accident investigation.

As part of the Health & Safety Management System review and the development of a legal register, the HSW Team have re-examined RIDDOR reporting and has identified a gap in reporting. RIDDOR states that for over seven day incapacitation

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

of a worker, when that accident results in an employee or self-employed person being away from work, or unable to perform their normal work duties, for more than seven consecutive days as the result of their injury, then this is reportable under RIDDOR. To date the Service has been reporting when an injured person has been absent from work for over 7 days but not if that person is taken off the run or put onto light duties and therefore is not able to perform their normal work duties. The HSW Team are currently working with HR to look at how these injured persons can be identified and included in the reporting process. As a result of this, the Service will inevitably see an increase in RIDDOR reports.

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

There were 11 manual handling injuries reported in Q1 as compared with 4 in the same quarter last year.

7 manual handling reports occurred at special service calls (all were assistance to ambulance), 1 was a near hit (no injury) and the other 6 all resulted in strain injuries of the back. The activity was assisting the ambulance service with movement of casualties (including plus size). This quarter continues to see a significant uplift in this type of injury and this trend is reflected across other FRS in the SE region. ESFRS are participating in a working group set up by Kent FRS and with SECAMB to address the increase in injuries when patient handling.

2 injuries were sustained at the same operational incident removing cast iron railings (part of a balcony) that were in a dangerous/unsafe condition.

1 back strain while operating a fire hydrant; and

1 back strain while using hydraulic cutting equipment at a training event.

All of these are subject to a Level 2 accident investigation.

The Service Fitness Adviser has also 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 no reports of slips, trips and falls in Q1 2019/20 compared with 4 in 2018/19.

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

There were 10 vehicle incidents in Q1 and this is lower than the 14 reported in Q1 in 2018/19.

The causes are as follows:

- Low speed impact – 1 front bumper valance caught on uneven farm track
- Impact with other objects - 7 (bush 1, branch 1, road sign when reversing 1, side mirrors 2 – striking a bay door and a column/pillar, railings 1, bay doors 1 KFRS vehicle on standby)
- Being struck by another vehicle 1
- Striking another vehicle 0
- Vehicle fault – 1 (suspension failure)

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

There were 5 incidents of lost working time in Q1 when compared with 1 incident in the same time period in 2018/19.

1 was a member of technical support staff who dropped a standpipe on their foot;
1 member of operational staff, with a pre-existing back injury caused further injury when undertaking fitness training;

1 member of operational staff who suffered knee pain after a driving course and repeated use of the clutch;

1 was the RIDDOR described above, support staff suffering back and neck pain as a result of driving a service vehicle.

1 was an operational member of staff attending a course at Fire Service College who suffered temporary tinnitus following a loud bang from an explosive.

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

There were 5 reports of work related violence in Q1 compared with no incidents reported in Q1 in 2018/19.

The incidents were:

Verbal abuse when operational staff requested that a large domestic bonfire, located close to fencing and bins, was extinguished. This incident was reported to the Police and crews made aware of the address.

2 separate incidents at Service Training Centre where neighbours made violent objections to burning by throwing stones and damaging the gates to gain access to the site. On both occasions training activities were suspended and police called. Since then a number of meetings have been held with the residents in conjunction with Police, Fire, Council and Environment Agency representatives to address this issue.

The incident happened to an officer who was first on scene at an RTC and was verbally abused by a group of teenagers while trying to ensure scene safety. When other ESFRS resources arrived the group left the scene.

A response officer responding to an incident on blue lights was tail gated by a member of the public at high speeds over some distance. This was reported to the Police.

Historically, incidents of violence have been low and this Q1 increase in reports of violent behaviour against ESFRS staff is a reflection of a national trend across all emergency services.

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

There were no reports of work related stress in Q1, which is the same as in Q1 in 2018/19.

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

In Q1 there were 16 reports of near hits which compares with 33 reported in Q1 2018/19. (Q1 in 2018/19 was higher because of the launch of 4i).

These cover a wide variety of issues which are broken down below:

- The incident of verbal abuse at the domestic bonfire (reported in Indicator No 7);
- Assistance to ambulance – casualty handling, no injury but reported as a near hit (reported in Indicator No 3);
- Equipment defect – ‘deadman’ handle on cutting gear not returning to central stop position;
- 2 incidents of violent behaviour at STC from neighbours upset about the smoke generated by burning activities (reported in Indicator No 7);
- Gaining entry to a premises due to cause for concern for elderly male resident, with no police or ambulance in attendance as they had no resources to send;
- 3 incidents of possible exposure to hazardous substances when support staff handled equipment from an incident without being told of possible contamination;
- Fumes generated by hot works entered offices (managed by West Sussex CC) through air conditioning system causing discomfort for staff;
- Equipment failure – mobilising laptop issued which did not work and had no hand over test to check efficacy of equipment;
- Working cross border at an RTC incident and Kent FRS crews cut through curtain air bag causing a loud bang and debris. Full hot debrief at scene undertaken by KFRS;
- Poor housekeeping of kitchen fire demo unit. Build-up of grease caused fire during a demonstration;
- Mobilising system froze during a call. Another call handler took over but risk to delay in mobilising. Under investigation with Telent and Remsdaq ;
- Failure of equipment: radio and fist mike, identified when carrying out final checks before being committed under air. Defected and taken OTR; and
- Verbal abuse by teenagers at RTC scene as reported in Indicator No.7).

3. **Hazard Reports**

3.1 **Summary of Q1**

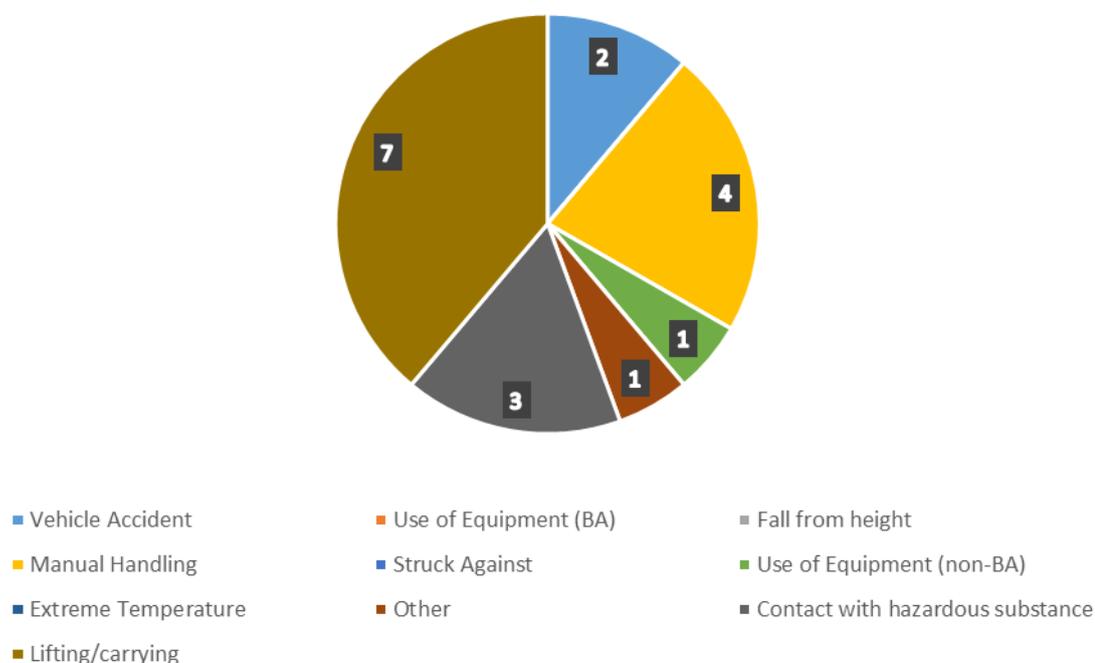
The number of hazard reports received continues is considerably lower than in Q1 in the previous year. Q1 in 2018/19 was particularly high because of the changes in

mobilising. The HSW Team received 81 Hazard Reports, 71 of which were VMDT/Mobilising.

If we exclude the VMDT/mobilising issues then the number of Hazard Reports in Q1 2019/20 is comparable with Q1 2018/19. It is, again, evident that the pattern of hazard reports is indicative of key changes in the service during this period. 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. Level 2 Accident Investigation Outcomes

4.1 Level 2 Accident Investigation Q1 2019-20



4.2 The Service has commissioned a total of 18 Level 2 Accident Investigations in Quarter 1 of 2019/20. The two greatest categories are for manual handling, lifting and carrying, totalling 11 and this accounts for 61% of all Level 2 investigations. Over half of these manual handling, lifting/carrying injuries (6) were at special service calls for assistance to ambulance. This follows on from the trend that was emerging at the end of Quarter 4 2018/19.

5. 3F Key Performance Indicators: Q4 2018/19 and annual performance

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. 2018/19 was the first time that these KPIs have been reported on. It is now time to review our 2018/19 figures and set new KPIs for 2019/20 based on the previous three years statistics.

- 5.1 **KPI OHSW1:** Reduce number of overall workplace safety events (injuries only) to 100 or below.

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

2016/17	2017/18	2018/19
111	108	97

The average over the 3 year period is 105 injuries (last year average = 109), with the target of a 5% reduction as ESFRS KPI.

So, the **target for 2019/20 is 100 injuries or below.**
(2018/19 target = 103; final total = 105).

- 5.2 **KPI OHSW2:** Reduce the number of vehicle collisions due to 'human behaviour'.

So, the **target for 2019/20 is currently being worked on and agreed by the 3F parties.**
(2018/19 target = 40; final total = 37).

- 5.3 **KPI OHSW3:** Reduce to 20 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:

2016/17	2017/18	2018/19
23	21	23

The average over the 3 year period is 22 (last year average = 25), with the target of a 10% reduction as ESFRS KPI.

So, the **target for 2019/20 is 20 manual handling injuries or below.**
(2018/19 target = 22; final total = 23).

- 5.4 **KPI OHSW4:** Percentage of safety events where management action has been completed against the number of safety events reported

- 5.5 **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:

2016/17	2017/18	2018/19
26	26	19

The average over the 3 year period is 24 lost time safety event injuries (last year average = 24).

So, the **target for 2019/20 is 23 lost time safety event injuries or below.**
(2018/19 target = 23; final total = 19).

- 5.6 **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

In 2018/19 the number of lost time days/shifts was 194 days.
A 5% reduction gives a target of 184 days.

- 5.7 **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

In 2018/19 the number of lost time days/shifts was 61 days.
A 5% reduction gives a target of 58 days.

- 5.8 **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

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 will then set a more informed target.

KPI Ref.	KPI Description	Q1	Q2	Q3	Q4	Total
OHSW1	Reduce number of overall workplace safety events (injuries only) to 100 or below	23				
OHSW2	Reduce the number of vehicle collisions due to 'human behaviour' to 40 or below (exclude 3 rd party fault and vandalism)	8				
OHSW3	Reduce to 20 or less manual handling injuries	11				
OHSW4	Percentage of safety events where management action has been completed against the number of safety events reported	13/52 25% 15/52 Level 2 29%				
OHSW5A	Reduce the number of instances of absence 'lost time safety event injuries' by 5% on the previous year –Operational personnel (25)	5				
OHSW5B	Reduce the number of lost time days/shifts as a result of safety event injuries by 5% on the previous year – Operational personnel 2018/19 = 194 days 2019/20 – target = 184 days	86 days				
OHSW5C	Reduce the number of lost time days/shifts as a result of 'safety event injuries' by 5% on previous year - Support personnel 2018/19 = 61 days 2019/20 – target = 58 days	12 days				
OHSW6	Monitor the number of RIDDOR reports	2				
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				

Appendix A – Full breakdown of health & safety statistics

	Per quarter				2019/20 Actual Total	2018/19 Actual Total	2017/18 Actual Total	2016/17 Actual Total
	2019/20 Q1	2019/20 Q2	2019/20 Q3	2019/20 Q4				
1. Number of safety events received	52				52	234	221	234
2. Number of RIDDOR incidents	2				2	9	15	9
3. Number of manual handling Incidents	11				11	23	21	23
4. Number of slips, trips & falls	0				0	19	29	19
5. Number of vehicle collisions	10				10	60	48	60
6. Number of incidents where work time lost	5				5	26	26	26
7. Incidence of work-related violence	5				5	8	5	8
8. Incidence of stress	0				0	9	8	9
9. Number of near hits	16				16	46	65	46

Appendix B - Safety Events Statistics Report Safety Events Statistics Report Q1, 2019-20

Additional information relating to Age & Gender

In Q1 the Health Safety & Wellbeing Team received 52 Safety Event Reports, 23 of which recorded 'injury sustained' (44%) - the remaining reports were recorded as near hits (31%), vehicle accidents (19%), damage (4%) and ill health (2%).

Age & gender were not being separated out for analysis during the first quarter of the previous year (2018-19), so there is no data against which this can be compared. Moving forward into Q2 comparisons with the previous year will be possible.

According to information provided by HR, the workforce in ESFRS is split as follows:

Male 80%
Female 20%

[NOTE: There is currently no ability to separate out non-binary individuals.]

This will inevitably skew the results, as males will statistically be more likely to suffer a disproportionately greater number of injuries than females. This is particularly the case for operational crews where only 38 are female out of a total of 580 (6.5%).

[This figure relates to all levels of operational staff, but excludes SCC]

Hence of 52 safety events, 44 (85%) were reported by males. Where this involved injury, 18 of the 23 (78%) were again reported by males. The figure of 18 represents 2.2% of the entire workforce; the remaining 5 (female) represents 0.6%

Injury sustained data has been split down into age groups as follows (these broadly match age ranges used by HSE in recording non-fatal injuries at work, reported under RIDDOR – data based on 53,348 reports where age recorded)

[Note: percentages rounded to ensure sum is 100%]

Injury sustained – total = 23 (100%)					
Age range	ESFRS data		ESFRS %		HSE data %
	Male	Female	Male	Female	
Under 25	0	0	0%	0%	11%
25 – 34	3	0	13%	0%	21%
35 – 44	6	2	26%	9%	20%
45 – 54	7	1	30%	4%	25%
55 +	3	1 **	13%	4%	23%

** Non – employee

It is apparent that due to our significantly smaller sample size (and probable age profile regarding under 25s) our data does not correlate directly with the wider UK picture shown by HSE.

It is interesting to note that within ESFRS for this quarter we do have a significantly greater percentage of 35-44 & 45-54 year olds reporting injury compared to the national (HSE) data.

The age related statistics we provide the Home Office use slightly different ranges, but are comparable

ESFRS figures:

Age range:	% total workforce	% Operational
17-24	3	3
25-35	18	21
36-45	30	33
46-55	39	39
56-65	10	5
66+	<1	

These figures show we have an ageing operational workforce, so the increase in injuries is probably correlated to this

A major cause of injuries sustained is manual handling – 11 reports received in Q1.
[Note: only 1 of these was reported by a female member of staff]

Manual handling – injury sustained (total = 11)				
Age range	ESFRS data		ESFRS %	
	Male	Female	Male	Female
Under 25	0	0	0%	0%
25 – 34	1	0	9%	0%
35 – 44	3	1	27%	9%
45 – 54	5	0	46%	0%
55 +	1	0	9%	0%

This shows a clear relationship between age & manual handling injury (although this is an extremely small sample size). This broadly matches the data available from the HSE and our own operational ratios.

Given the number of activities carried out on a daily basis across the Service the low number of recorded injuries suggests there is significant under-reporting

Additional data from Safety Events received

Near Hits - total = 16 (100%)				
Age range	ESFRS data		ESFRS %	
	Male	Female	Male	Female
Under 25	0	0	0%	0
25 – 34	1	0	6%	0
35 – 44	4	0	25%	0
45 – 54	8	2	50%	13%
55 +	1	0	6%	0

Near hit reporting is likely to be less accurate than injury sustained, as some staff do not perceive the benefit. The significant peak (45-54) could either be due to their having more experience, or a greater willingness to report.

Vehicle accident ** total = 10		
Age range	ESFRS data	ESFRS %
Under 25	0	0%
25 – 34	1	10%
35 – 44	4	40%
45 – 54	4	40%
55 +	1	10%

** This includes non-ESFRS fault incidents

Due to the small data set (and the non-ESFRS at fault incidents) it is not possible to draw any meaningful conclusions from this.

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EAST SUSSEX FIRE AUTHORITY

Panel Scrutiny & Audit

Date 25 July 2019

Title of Report Corporate Plan Progress Monitoring Quarter 4 2018/19

By Liz Ridley, Assistant Director – Planning & Improvement

Lead Officer Sharon Milner, Planning & Intelligence Manager

Background Papers Corporate Plan 2018/19

Appendices Appendix 1 - Corporate Plan Progress Monitoring Quarter 4 2018/19

Implications

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

PURPOSE OF REPORT The Corporate Plan progress monitoring report has been developed to demonstrate progress against the Service's Corporate Plan 2018/19. This report contains information on the progress made on the key actions up to the end of Quarter 4 2018/19.

EXECUTIVE SUMMARY There were 51 agreed actions undertaken to progress the Service's Corporate Plan. The 2018/19 Q4 monitoring report indicates that :

- 40 have least 90% of activity target achieved
- 3 are between 70% and 90% of activity target achieved
- 7 have less than 70% of activity target achieved
- One activity with no target set

The Corporate Plan sets out the broad framework for the Service's work for the period 2018/19 and beyond in some cases. The Senior Leadership Team use the information

within the monitoring report to review progress on agreed actions and satisfy themselves that performance is at an acceptable level.

It should be noted that some activities span a number of years and the associated targets have been set to reflect that.

RECOMMENDATION

The Scrutiny & Audit Panel is asked to note the achievements, progress, and work to date, as detailed in Appendix 1 against the activities set out in the 2018-19 Corporate Plan and identify where further information/clarification on progress is required.

1. INTRODUCTION

- 1.1 This report monitors the actions and activities that are cited in the Corporate Plan 2018/19.
- 1.2 The Corporate Plan and strategic planning framework is developing to ensure that the Service's strategies, with their three year action plans, signpost the actions required in order to achieve the Fire Authority's purpose and commitments. This will enable a longer term view of the Service's direction of travel. The eleven priority areas outlined in the Corporate Plan 2018/19 were:
- Deliver the information management strategy
 - Deliver the safer communities strategy and action plan
 - Deliver the Communications and Consultation strategy
 - Implement the People Strategy and Plan (Yr 1)
 - Implement the Inclusion and diversity action plan (Year one)
 - Implement the Health Safety and well-being strategy
 - Deliver the Estates Strategy and Asset Management Plan
 - Deliver the integrated risk management plan year 2 action plan
 - Procurement Strategy
 - Deliver the Authority's Efficiency Strategy
 - Continue to explore collaboration opportunities with the tri fire partnership of West Sussex, East Sussex and Surrey Fire & Rescue Services
- 1.3 Appendix 1 contains the progress monitoring report which is structured by department.
- 1.4 Each action / activity from the Corporate Plan is assigned an owner who is expected to give an update on progress at the end of each quarter through the Service's business planning software.
- 1.5 The majority of the activities are assigned a target by the individual owner and the system can then monitor progress against that target. Where this is the case a RAG traffic light accompanies each activity for ease accompanied with the text 'RED', 'AMBER' or 'GREEN'

- 1.6 The overall activity progress against target percentage on the Overview summary page may at times exceed 100%, this is because more activities are over their target than are below their progress target at the end of the quarter.
- 1.7 It should be noted that some activities span a number of years and the associated targets have been set to reflect that and that they have been rolled over into the 2019/20 annual plan and associated monitoring reports.

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East Sussex
Fire & Rescue Service

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Appendix 1
Corporate Plan
Progress Report 2018/19

Quarter 4

OVERVIEW

Activity SUMMARY

BY PERFORMANCE

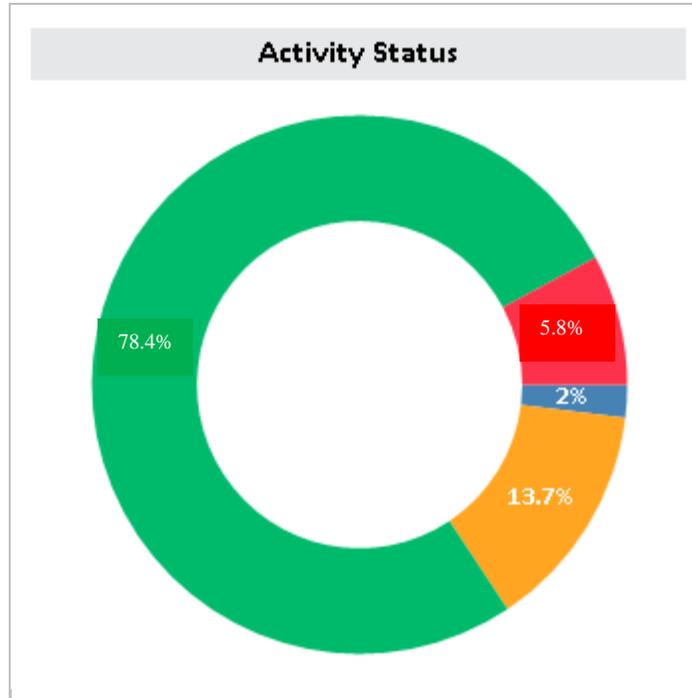
40 On Track

3 Off Track

7 Monitor

1 Not Applicable

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ACTIVITY PLANS



GREEN



AMBER



RED



No target set

At least 90% of activity target achieved

Between 70% and 90% of activity target achieved

Less than 70% of activity target achieved

* Dates have been revised from the Original dates

HR and Organisational Development

AD HR & Organisational Development

Activity Title: 1.1.3.1 Organisational Development Themes:

- An employee engagement framework will be developed with an emphasis on engagement and communication in our employee interactions.
- We will develop a Talent Management Framework to include multi-tier entry.
- We will develop a framework for Strategic Workforce Planning

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	In Progress	01-Apr-2018	30-Sep-2019	85.00%	65.00%	GREEN

Activity Progress Comments:

March 19 - Focus Groups coming to a close - SLT report due in May 2019

Jan 19 - Focus groups commence 1st week in February. All focus groups planned and facilitators trained.

Oct 18 - SLT report presented in August 18, outcomes of survey and way forward to be shared with staff in October 18

A staff engagement survey has been launched to all staff. The closing date has passed and the findings are now being gathered to be presented to SLT.

A Strategic Workforce Planning framework has been developed in collaboration with Surrey Fire and Rescue. This now needs to be presented to SLT and consideration how it can be practically adopted with ESFRS.

Last Updated: 10-Apr-2019

Activity Title: 1.1.3.3 Develop and Implement new ways of working -

- The development of apprenticeship opportunities for existing staff and working towards employing staff on apprenticeship schemes across all areas of the service.
- A range of HR Key Performance Indicators are implemented so the Service is better informed on employee data and areas that can be improved

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	In Progress	01-Apr-2018	31-Mar-2019	95.00%	100.00%	 GREEN

Activity Progress Comments:

March 2019 - Apprenticeship process determined - now about embedding and encouraging people to undertake
 Jan 19 - A plan in the way in which we embed apprenticeships in the Service is being taken to the HRSG in January 2019 with some options and recommendations.
 We have secured a provider for Apprenticeship schemes through a tender process and that is Greater Metropolitan College in Brighton. The next steps are a set-up meeting and finalising the contract.

We have started a piece of work on a suite of HR KPI's that can be used once for all meetings as required. Work is progressing.

Last Updated: 10-Apr-2019

Activity Title: 1.1.3.4 Performance Management -

- We will develop a new appraisal policy and process which will include the option for 360 appraisal. This will be piloted in 2018/19 within the PO team.
- A pilot approach for incremental salary progression for Principal Officers will be developed and dependent on a successful 360 degree appraisal report feedback.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	In Progress	01-Apr-2018	31-Mar-2019	64.00%	100.00%	 RED

Activity Progress Comments:

March 2019 - In progress
 Jan 19 - Staff survey sent out asking what staff would like from their appraisal process... this will assist in informing the redesign of the appraisal process.
 We have developed a proposed policy and process. We have carried out staff and manager workshops to look at systems to support 360 reviews,. A paper was submitted to SLT in September in order to progress this area.

Last Updated: 10-Apr-2019

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Activity Title: 1.1.3.5 Reward and Recognition - We will develop a new policy for the reward and recognition of all our staff both operational (wholetime and retained) and support staff.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Jan 19 - Completed by Keith Ring

Information has been gathered from a number of other FRSs. This has been analysed and a list of all the awards and recognition has been produced. We have consulted the CFO in terms of what should be included in the draft policy. The new policy has been drafted and is currently being considered from an HR perspective.

Last Updated: 29-Jan-2019

Activity Title: 1.1.3.6 Delivering the HR and OD Function - We will review HR business processes and effectiveness. This will identify any improvements that can be made without any IT changes, and to recommend additional changes to IT systems and processes to improve the efficiency of HR. These improvements will be implemented subject to costed approvals

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	In Progress	01-Apr-2018	31-Mar-2019	85.00%	100.00%	 AMBER

Activity Progress Comments:

Jan 2019 - plan has been developed for full process redesign commencing in April 2019. However, in terms of the quick wins they continue to be embedded into the HR department. We have completed the first stage of reviewing the HR Business Processes by undertaking a number of workshops. There are now a number of recommendations to take forward. These are divided into quick wins and longer term solutions. This project outline has been presented to SLT to take forward with the necessary resources both in financial terms and staffing. A business case is being completed in line with the new PMO guidelines.

Last Updated: 29-Jan-2019

Human Resources

Activity Title: 1.1.1.1 Corporate Project No. 00286 Firewatch

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Jason Hathaway - HR Manager - Systems and Policy	In Progress	01-Apr-2015	31-Mar-2019	90.00%	100.00%	 GREEN

Activity Progress Comments:

Resource Plan work packages are now being scoped by Telent. The upgrade to v7.6 is to start imminently along with benefits realisation work for the self-service module. Work concerning RDS pay going on FireWatch to start following the above.

V7.6 available on test servers. Decisions on disaster recovery and high availability need to be made based on Infographics testing. This will be a 'new out of the box' solution raising questions about it viability/robustness. Hardware for upgrade being procured. There have been some delays due to queries on quoted costs and the DR/high availability requirements.

DR solution agreed, but requires further technical clarifications from telent before final ESFRS sign-off and install. UAT scripts are being written in preparation for full UAT process, which is likely to be undertaken in February 2019. Anticipated 'go live' with v7.6 is March 2019.

Benefits realisation work has been completed and seen by the Project Board, with no issues raised. AD for Finance discussing benefits realisation with FW PM as he was not present at the Board meeting.

UAT for v7.6 due to start on 22nd April for approx. 3 weeks before going live with v7.6 by beginning of June 2019 (delayed due to telent technical specs and ESFRS sign-off taking longer than anticipated). Benefits realisation for Self Service and RDS pay has been approved.

Last Updated: 18-Apr-2019

Inclusion and Diversity

Activity Title: 1.1.1.3 Collecting, analysing and using information:

Enhance the way we use and record additional and new equality data we received directly about "at risk" communities

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Jun-2017	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Now embedded in Community Safety Strategy and also forms part of the greater data dashboard. Safer Communities directorate are now responsible for the extraction of data working with Planning and Improvement Directorate to successfully analysis and report of the data to inform our future activity and review existing engagement.

Last Updated: 15-Jan-2019

Activity Title: 1.1.3.3 Develop an action plan to support the Inclusion, Equality and Diversity Strategy

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

A two year action plan has been developed and is monitored in the HR Strategic Group.

Last Updated: 06-Jul-2018

Activity Title: 1.1.3.7 Inclusive Leadership:

Lead member and PO for Inclusion. To meet on quarterly with EDI Group and/or Inclusion Advisor

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Jun-2017	01-Apr-2018	100.00%	100.00%	 GREEN

Activity Progress Comments:

These have now been arranged through to the end of 2018. Dates for 2019 have been shared with Lead Member and they have been invited to attend EDI meetings. Lead member working with members update on EDI for January 2019. This activity to reset to 2019/20 and is already complete.

Last Updated: 15-Jan-2019

Activity Title: 1.1.3.8 Inclusive Leadership:

Introduce Equality Diversity and Inclusion Group as part of the Organisational HR Decision making model

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Jun-2017	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

This group is up and running and meetings/activity has been scheduled until the end of the 2019. This now business as usual.

Last Updated: 15-Jan-2019

Activity Title: 1.1.3.9 Inclusive Leadership:

Publish Agendas and minutes of EDI Group on a quarterly basis

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	Completed	01-Jun-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

A group folder has been set up for the group to share and the minutes/agenda are published on the Inclusion Pages. This is business as usual

Last Updated: 15-Jan-2019

Occupational Health

Activity Title: 1.1.3.4 To review the provision of Occupational Health services for ESFRS

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Hannah Scott- Youldon - Assistant Director of HR and Organisational Development	In Progress	01-Nov-2017	30-Jun-2018	90.00%	100.00%	 GREEN

Activity Progress Comments:

March 2019 - Wellbeing Plan outstanding and budgetary investigations undertaken

Oct 18 - Occ Health now gone live, however, full implementation needs further work. Wellbeing team not yet in place

The Occupational Health Collaboration is due to be launched on 1 July 2018. It is on track to be delivered by this date.

Jan 19 -Group now up and running to ensure all aspects are fully implemented. Wellbeing team due to be fully resourced in January 2019 so a broader plan will be worked upon in the next quarter.

Last Updated: 10-Apr-2019

Operational Support and Resilience

Operational Support and Resilience

Activity Title: 1.1.1.6 Fleet Review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Richard Fowler - Assistant Director of Operational Support and Resilience	Completed	01-Aug-2017	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

A paper suggesting changes to the vehicle fleet has been submitted to both Ops Committee and SLT. SLT has agreed in principle to adopt a three tier approach, but the allocation of new vehicles has been deferred until the outcomes of the Operational Response Review (RRO) are known.

Last Updated: 05-Feb-2019

Engineering

Activity Title: 1.1.1.1 Integrated Transport Function -to fully support ESFRS in the development of a joint collaborative project to integrate vehicle and equipment assets for East, West and Surrey FRSS, Surrey and Sussex police and mitigate the net effect of workloads to the organisation. Including the construction of new workshops, telemetry and new fuel sites.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Bill Brewster - Head of Engineering Services	Completed	01-Apr-2016	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

The ITF project remains ongoing, and has delivered the service options up to and including 6c which are the plans to show a fire only build and associated build cost.

The telemetry project has been agreed by SLT and a subsequent paper for the delivery of vehicle based cameras to be fitted at the same time is awaiting agreement at the next SLT meeting.

The fuel project has a dedicated project manager from estates who is gathering in the final detail and considering value for money options for all sites before presenting a final paper to SLT for consideration. (our police partners remain keen to move vehicle refuelling to Bohemia Road and Rye asap.

WYG have completed a draft report that would update the previous Transtech information however there needs to be a review of this by partners which is due to take place at STC asap Updated draft reports completed by WYG logistical evaluation carried out at Polegate, site proposal options completed for North Bexhill Financial option appraisals being completed with Police partners. Following a number of finance meetings with Police partners the cost of a new build at North Bexhill was considered prohibitive work is on going to source an established site in the Bexhill area that may be fit for purpose once a conversion has been carried out at a great reduced cost. East Sussex are exploring opportunities with SEcamB in the Polgate area in the meantime minor refurbishment work is being carried out on established premises ESFRS can fully function in the current estates to maintain the engineering business plans and deliver its commercial function. East Sussex on behalf of the ITF project board have employed a dedicated technical adviser to consider and promote options for working in the current financial climate. East Sussex continue to develop collaboration opportunities all work completed for the financial year

Last Updated: 29-Apr-2019

Operational Planning & Policy

Activity Title: 1.1.1.1 IRMP Operational Demand Management Review (Standard functions)

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
George O'Reilly - Operations Manager	In Progress	01-Apr-2017	31-Mar-2019	70.00%	100.00%	 AMBER

Activity Progress Comments:

We have produced the Maritime, Swift Water and Tech Rescue papers. However further work is needed to get these ready for SLT. The plan is to present these papers to SLT in October.

20.01.19 - The Swift Water paper has been accessed by SLT. A decision has been made to upskill the workforce to module 2 with swim capability. An implementation plan will be presented by Ops P&P to the OAG for approval. The decision to move the swift water team will be delayed until the ORR concludes. In addition the decision to remove any water safety equipment will be delayed for the same reason (ORR).

The Maritime papers are being heard by SLT in January. Implementation plans will be developed once we know what SLT decide.

The Tech Rescue paper is being looked at again to present to SLT at a future date.

All of the above will feed into the recently started ORR.

Last Updated: 18-Apr-2019

Special Projects

Activity Title: 1.1.4.1 Sussex Control Centre Project:

Provide systems to support mobilising & communication functions including assisting ITG and SCC Technical Team with MDT replacement projects in accordance with current project plans

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Andy Carr - SCC 4i Project Manager	In Progress	01-Apr-2011	31-Mar-2019	85.00%	100.00%	 AMBER

Activity Progress Comments:

WSFRA have formally issued notice under section 16 as at 17th August 2018. This notice expires 17th February 2020.

The project is working on a portfolio of works intended to improve 4i functionality and resilience as well as improve the associated infrastructure environment. This has been divided into two phases 2a and 2b.

We are currently testing a new test environment prior to using it to UAT the new code drop from Remsdaq.

In the wake of the WSFRA announcements a new joint governance regime is being agreed. Work to separate the two services is progressing under a separate project, this work stream is solely delivering improvements to the SCC environment in a phased approach to delivery to tie in with the Mott MacDonald mobilising strategy review and planning horizons are being adjusted to fit in with corporate decision timescales.

Current major deliverables are the Remsdaq 4i test environment and drop one of the new 4i functionality.

Phase 2b major deliverables are related to eIRS resilience and data quality improvements.

Last Updated: 08-Apr-2019

Planning and Improvement

AD Planning and Improvement

Activity Title: 1.1.1.4 Develop the Service's approach to consultation & engagement

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Liz Ridley - Assistant Director of Planning and Improvement	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

The Communication and Engagement strategy was approved at the Fire Authority in June 2018. The year one action plan has this area as a theme and will be developed over the coming year. Progress against activities is included elsewhere on this report.

Last Updated: 08-Oct-2018

Activity Title: 1.1.3.2 Developing the skills and capacity of the Fire Authority:

- To deliver quarterly seminars for Members to ensure they are updated on developments in all areas of Fire Service business
- To have undertaken a review of the Governance Structure of the Fire Authority

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Liz Ridley - Assistant Director of Planning and Improvement	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

A members seminars booked in. Work from the Governance review has been considered when writing the Planning & Improvement business plan for next year.

Last Updated: 18-Jan-2019

Marketing, Communications & Business Services

Activity Title: 1.1.2.3 Identify legal requirements for consultation and engagement, identify business needs, identify opportunities for collaboration, plan, seek budget approval, implement and evaluate on an annual basis.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Approval has been given by SLT for the consultation programme. Website updated with information about our consultation programme including a new Get Involved page.

Last Updated: 16-Jan-2019

Activity Title: 1.1.2.4 We will complete a Service-wide mapping exercise of stakeholders including who has ownership of particular relationships and any common ground to enable closer collaboration.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Completed and published on the intranet. Communicated via Service Brief.

Last Updated: 04-Apr-2019

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Activity Title: 1.1.2.5 Encourage Public Attendance at Fire Authority meetings

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

We are ran publicity ahead of the meetings in order to invite people to attend. Journalists are now attending on a regular basis. We ran a Dementia Friendly Session at the June 2018 CFA meeting and launched a water safety video at September's meeting.

Last Updated: 04-Apr-2019

Activity Title: 1.1.2.6 We will increase promotion of decisions through publicity activities

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Press releases after the June meeting included information on Dementia Friends and the Safer Communities strategy. Coverage about the meeting was published in the Hastings and St Leonards Observer and Brighton and Hove news.

Last Updated: 16-Jan-2019

Activity Title: 1.1.2.7 Feedback mechanisms for the continuous improvement of communication, consultation, engagement and satisfaction with services.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	In Progress	01-Apr-2018	31-Mar-2019	80.00%	100.00%	 AMBER

Activity Progress Comments:

We have collated information about current feedback mechanisms and identified areas for improvement and development.

In December SLT approved an approach which means:

- a. enhanced Home Safety Visit feedback - needs further work alongside Community Safety
- b. The reintroduction of the After the Incident survey - in place to begin in 2019/20
- c. The introduction of Business Safety Audit feedback - in place to begin in 2019/20
- d. The formation of a small working group to develop and confirm exact contents of After the Incident survey

Last Updated: 04-Apr-2019

Activity Title: 1.1.2.8 Deliver an agreed Communication and engagement programme aimed at reducing accidental fires in the home

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Victoria Jones - Communications Officer	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Launched a successful on-going integrated marketing campaign, entitled Be Your Own Hero, with the key aim of driving down the number of Accidental Dwelling Fire incidents across our Service area. Production of a hard-hitting interview with a Crowborough businesswomen, who spoke about her distressing experience of a devastating fire in her home, which launched the campaign. As a result of this, BBC South East covered the story, alongside other mainstream local media, reaching a wide audience. Emotional interview with a mother-of-two from Lewes who experienced a loft fire, which caused extensive damage to their home, again widely publicised by mainstream media and resulted in more than 100 hits to our ESFRS website. Interview with ESFRS Fire Investigation Officer Richard Moon to inform the public how they can prevent electrical fires within the home, used on the Be Your Own Hero website's landing page. Numerous press releases, linking a variety of fires we attended since the campaign launched to the Be Your Own Hero home page. Outside promotional events to support the #BrightonTribe We're Your Crew Behavioural Insights Project, which included a widely publicised Flashmob. A Brighton dance troupe surprised Ship Street shoppers on a sunny day in July, demonstrating the vibrancy of the #BrightonTribe. This resulted in a spike of sign-ups for the project. Also, delivered two additional events in Brighton's Churchill Shopping Centre and Ship Street to support the Behavioural Insights Project.

Time Checks radio advertising campaign successfully linked in with our Be Your Own Hero overarching campaign, promoting key safety messages. For example, time checks included "Be Your Own Hero and protect your home with a smoke alarm...take extra care when cooking...Register Your Appliance etc."

Sprout Out and About Campaign directly linked to our #FireChecksofChristmas safety campaign, as well as Be Your Own Hero safety advice. This involved active engagement with our key target audience, based around Mosaic research, focusing on technical-savvy Mosaic user-group J. The idea was to prompt those who engaged with us to either self-serve, or to encourage them to conduct their own DIY HSV, as well as enter our competition to win a festive HSV, including a fluffy Brussel sprout personally delivered by the crews conducting a pre-Christmas HSV. Following an evaluation of this marketing campaign it was clear that this is a hard to reach audience. Although they were keen to engage with us on social media, as well as self-serve, when it came to a personal visit by the crews they were reluctant to accept a Home Safety Visit by firefighters, with many offering their prize to either a charity, or not accepting it at all. However, they were keen to engage with us. This echoes the views of this group that they believe "It won't happen to them" and reflects the mosaic information that they prefer to be engaged by social media channels, as opposed to face-to-face.

A further case study has been filmed with a residents who experienced a devastating house fire. This will be used within the Be Your Own Hero catalogue of case studies. So far, this has been captured on camera, alongside Crowborough's Trevor Funnell, who outlined the situation operationally. The Service is praised within this footage and the case study will be used on social media, in a bid to reduce ADFs.

Following a recent ADF meeting a strong link was made between ADFs and health. The Health Agenda work with the Service's Health Coordinator, Sophie Hepworth is now up-and-running. I have worked with Sophie to guide her on an appropriate communications for the Dementia-Friendly Action Plan for 2018/19. Assisted with a clear direction for Sophie in benchmark communications within the plan, including both internal and external publicity. Worked alongside Community Safety's David Kemp and Julie King to gain positive publicity both internally, and in mainstream media, as well as specialist publications around the successful launch of the GP Referral Scheme. I have been in talks with Sophie on how to move this forward in the future. Actively promoting Safety in Action events for Sophie, specifically targeting home-educated children. My social media marketing campaign prompted an immediate sign-up by ten home-educated children, which is still rising. This is noted as a key success by Sophie, due to them being a hard-to-reach audience.

On-going success with social media marketing for Safety in Action, which has now resulted in 30 hard-to-reach, home-educated, students signing up for this award-winning programme, tailor-made for schools. Positive internal communications has been undertaken to assist with reducing ADFs within the community, notably working alongside Health Co-ordinator, Sophie Hepworth. An article published within Service Brief highlighted the importance of crews signposting vulnerable residents, in need of a cooker cut-off device, to the Safer Communities Team. Proactive measures are being taken to fit as many of these Assistive Technology devices across our Service area. Firefighters who may have concerns around vulnerable residents can complete the CS1 form to escalate to the team. Additionally, a positive case study highlighting the fantastic work of both Bexhill and Battle firefighters is to appear in Service Brief, to raise awareness around hoarding concerns. This article illustrates how Bexhill firefighters joined forces with partners to go beyond the call of duty to give a flat a thorough makeover. It's hoped this internal communication will encourage others to take positive intervention steps, in a bid to keep our community safe and to reduce ADFs even further. Also, staff will be alerted to the upcoming training for crews around clutter ratings, which will be undertaken by Aimee Parsons from Safer Communities. No Smoking Day on March 13 was promoted via both social media and mainstream media outlets, in a bid to raise awareness of the day, as well as signposting support services for anyone wanting to quit the habit. Press release issued, along with social media

around Pancake Day with the light-hearted headline of "Batter Be Safe Than Sorry on Pancake Day", to raise awareness around cooking safely. Fire Kills Campaign proactively promoted across all our social media platforms. Attendance at LGA conference where social media posts were made throughout the event highlighting the positive work of the Service, including our Be Your Own Hero campaign, which aims to reduce ADFs. Posts created across all our social media platforms to promote the up-coming Free Fun & Safety Events during the Easter Holidays for families in Crowborough, Hailsham and Uckfield.

Regular attendance at the Accidental Dwelling Fire Working Group to provide both active input and to utilise analytical data provided at these meetings, as well as listen to operational feedback, as a key part of on-going marketing campaigns to reduce ADFs within the community.

Closely working with Safer Communities to deliver a rounded marketing campaign across social media platforms, as well as within local media, to boost the number of Service Volunteers, who make a vital contribution to ESFRS and to support the local community. There is now a requirement to increase the number of Service volunteers after difficulties in gaining support for recent community events. The aim is to recruit a new set of volunteers to complement the current pool, with suitable skills, enabling them to assist with a range of future events and fundraising activities. Since the start of the campaign and up until 1 April 2019 the Volunteers campaign has received nine expressions of interest via Facebook social media posts.

Last Updated: 01-Apr-2019

Activity Title: 1.1.2.11 Agree a Communication and engagement programme aimed at reducing false alarms.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

While the Business Safety strategy is being developed, we continue to promote messages around the prevention of false alarms through the media and social media. This included a push during Business Safety Week. We take an active role in the Action Learning Set for AFAs.

Last Updated: 04-Apr-2019

Activity Title: 1.1.2.12 Agree a Communication and engagement programme aimed at supporting Business Safety Audits and Business Safety Awareness.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

During Business Safety week we launched an online tool for businesses to learn more about business safety. This ran alongside a promotional campaign. We have also run a social media campaign called We Meme Business which increased hits/views on the Business Safety pages of the website by in excess of 700 over two months.

Last Updated: 04-Apr-2019

Activity Title: 1.1.2.13 Agree a Communication and engagement programme aimed at supporting the Safer Communities Health strand.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Elizabeth Curtis - Communications & Marketing Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

We have promoted ReStart a Heart and Dementia Awareness.

Last Updated: 04-Apr-2019

Activity Title: 1.1.4.1 To develop the use of digital communication channels within the Service including video and email

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Mark Todd - Digital Communications Support Officer	In Progress	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Review of the use and management of Social Media and other digital platforms to be scoped out.

Review of Social Media Management tool, Hootsuite, underway.

Last Updated: 11-Oct-2018

**Planning and Intelligence
Performance**

Activity Title: 1.1.1.3 Introduction of a new Business Intelligence system

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Sharon Milner - Planning and Intelligence Manager	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

The P&I Team are now being trained on the INPhase business intelligence system. This is a very comprehensive and detailed training programme over 17 days.

Once the training is complete the team will be in a position to start rolling this system out across the service. This will happen in Q1 / Q2 2019/20

Last Updated: 18-Apr-2019

Activity Title: 1.1.4.7 Prepare a scope for the fire cover review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Chris Fry - Planning and Intelligence Analyst - Community Risk	Completed	01-Jun-2018	20-Dec-2018	100.00%	100.00%	 GREEN

Activity Progress Comments:

Operational Response Review (Fire Cover Review) Scoping Session was set for 23/01/2019 with the ORR Project Board, to agree contents of PID incl. what was in and out of scope. On the day, ORR Project Board adapted the purpose of the meeting to scope out key areas of focus for Stage II analysis/modelling.

Agreement of PID and scoping session set for Project Board meeting on 26/02/2019. At this meeting, the PID was discussed and board members took documents away to digest before rubber-stamping PID/scope etc.

March Project Board meeting was cancelled. Therefore have assumed Review Scope as laid out in PID is approved.

Last Updated: 29-Mar-2019

Resources/Treasurer

AD Resources/Treasurer

Activity Title: 1.1.4.3 Support Services Review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Duncan Savage - Assistant Director of Resources/Treasurer	In Progress	01-Apr-2018	31-Mar-2020	50.00%	50.00%	 GREEN

Activity Progress Comments:

SLT has agreed a first phase of services for review as follows:

- Operational Support Services (3F): Occupational Health; Training; Health & Safety; Fire Investigation - OH is complete others are underway and reported upon in Collaboration paper to Fire Authority Dec 2018
- Fleet & Engineering (ITF) - 3F has agreed to appoint joint transformation lead to carry out service review - appointment made April 2019
- Insurance - CFA has agreed move to FRIC wef 1 April 2019
- Legal Services - CFA has agreed new arrangement with BHCC / Orbis Public law from 1 April 2019
- FPS Administration - in progress - interim Pensions Adviser working with Orbis Pensions Lead to develop business case for May SLT
- HR & OD - focus on developing internal improvement plan
- Estates & Facilities Management - outline business case setting out preferred option for service delivery model to SLT April 2019
- Finance - CIPFA has carried out a review of the finance function against sector best practice - improvement plan to SLT May 2019

Last Updated: 23-Apr-2019

Activity Title: 1.1.4.4 Deliver Efficiency Strategy

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Duncan Savage - Assistant Director of Resources/Treasurer	Ongoing	01-Apr-2018	31-Mar-2020	-	50.00%	-

Activity Progress Comments:

15-01-2019 Progress report to P&R Panel Nov 2018.

Good progress is being made but the work is still at a relatively early stage and this is reflected in the level of efficiencies identified so far. Further work is required to identify and deliver a greater return on investment and specifically an increase in the level of cashable efficiencies delivered. SLT is committed to doing this as the Efficiency Strategy, and the activities within it are further developed and matured.

As the MTFP indicates, we need to be in a position to react to the new funding position for 2020/21 and have in place as a minimum sufficient cashable savings to balance the budget that year and in the subsequent three years (assuming the Government offers a four year settlement).

Last Updated: 15-Jan-2019

Estates

Activity Title: 1.1.4.2 Develop a new Estates Strategy and Asset Management Plan

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Maureen Cherry - Estates	Completed	01-Apr-2018	30-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

07-01-2019 Under the Estates Strategy the Design Guide has been drafted and subject to staff feedback has been approved by SLT and is due to be approved by HS&WB committee in January 2019

The Estates Strategy is complete and has been endorsed by the Estates Strategy Steering Group and SLT and is due to be presented to P&R on 17th Jan 2019 and to CFA in February 2019

28-03-19 - The estates strategy is complete & published

Last Updated: 28-Mar-2019

Activity Title: 1.1.4.5 Integrated Transport Function - fuel pilot

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Maureen Cherry - Estates	In Progress	01-Apr-2018	31-Aug-2019	40.00%	50.00%	 AMBER

Activity Progress Comments:

Following recent proposals, Estates will now be leading on the delivery of this project. The Senior Surveyor (Capital) will be delivering in collaboration with Engineering. We are awaiting the completion of the Business Case ahead of confirming cost information with the suppliers and sign-off that any changes in approach to the solution is in accordance with the original procurement/commissioning.

09-10-2018 Contractors have been commissioned to carry out detailed site surveys to underpin the review of the original business case proposal.

07-01-2019 Consultant feasibility studies ongoing - full options appraisal targeted end Jan 2019

28-03-19 Progress has been slow with the consultants not performing as expected - this has been escalated to the Managing Director and feasibility options are now targeted by Mid April

Last Updated: 28-Mar-2019

Activity Title: 1.1.4.8 ITF – SE Workshop

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Maureen Cherry - Estates	In Progress	01-Apr-2018	31-Mar-2021	10.00%	10.00%	 GREEN

Activity Progress Comments:

WYG were commissioned to develop concept schemes for the project. They have issued these together with the ESFRS only option and provided the cost plans to support the final business case which is being led by Engineering.

Valuers Fludes have been commissioned and provided valuation advice on the North Bexhill site locations together with an alternative site in Polegate.

We understand these studies and reports will now be used to develop the final business case. There is also other work streams being concluded prior to this being completed which include; discussions with Sussex Police and the consideration of other facilities being supported at any new location.

09-10-2018 - A review of requirements and alternative site options is being carried out by Sussex Police during September.

07-01-2019 Work with Sussex Police ongoing

28-03-19 Discussions are ongoing with SLT and PCC to decide the viability of the proposal at Bexhill

Discussions are planned with SECamb re their Polegate site. Sussex Police have confirmed that they are no longer interested in progressing this scheme. Discussions have commenced with SECamb with a further meeting planned for 21 June.

Last Updated: 10-June-2019

Activity Title: 1.1.4.10 Refurbish Preston Circus Fire Station

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Maureen Cherry - Estates	In Progress	01-Apr-2018	31-Mar-2021	30.00%	50.00%	 RED

Activity Progress Comments:

A formal Steering Group has been setup to oversee the feasibility stage of the project to final business case. The concept layouts have been completed as have the first stage engagement sessions with local teams. The concept layout and proposed approach was presented to SLT at their meeting in July 2018.

Next stage will be updating the concept scheme to reflect feedback and presenting this to the Steering Group. The outline cost plan has been completed by Faithful & Gould. We will be presenting the first stage business case covering ESFRS space to the CFA in September 2018.

09-10-2018 - RIBA Stage 2 proposals are due to be reported to P&R Panel 1 November 2018 seeking authority to mobilise the project and procure contractors.

07-01-2019 Work has been progressing with stakeholders to formally agree RIBA stage 2 scheme design - this is targeted to complete end Jan 2019
Consultants will be appointed end Jan to progress to RIBA stage 3

28-03-19 - Final iteration of plans being completed
Agreement was given at Estates Strategy Delivery Board to proceed to RIBA Stage 3

Last Updated: 28-Mar-2019

Information Technology Governance

Activity Title: 1.1.1.9 Deliver Information Security Step Change Programme

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Ken Pearce - ITG Manager	In Progress	01-Apr-2018	31-Mar-2022	18.00%	30.00%	 RED

Activity Progress Comments:

Update 02-01-19: Major applications now migrated to the Telent Flexi-cloud. Majority of servers and applications now patched. Telent now preparing detailed Risk Treatment Plans to remediate remaining issues.

The Information Security Step Change Programme will now become part of the Information Security Strategy initiative. Aristi (information security consultancy) have been engaged to assist with progressing the ESFRS Information Security Strategy. Aristi completed an information security audit in Dec 2018, the output of which will form the action plan for the ESFRS Information Security Strategy.

Update 25-03-19: Aristi gap analysis has now been completed. Resulting report awaiting sign-off. Information Security Strategy and remediation plans being developed.

Last Updated: 27-Mar-2019

Activity Title: 1.1.4.6 One to Many video conferencing

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Ken Pearce - ITG Manager	In Progress	01-Apr-2018	31-Mar-2021	74.00%	100.00%	 AMBER

Activity Progress Comments:

Update 02-01-19: Trial has been underway since Nov 18 using Cisco Teams. Initial feedback positive, with the solution being utilised and sponsored by Richard Fowler and Mark Matthews. Both Operations teams are now actively using the solution to run meetings. The plan is a business case to be presented to SLT in Apr 19.

Update 25-03-19: Cisco Teams trial has now completed. Paper was presented to SLT and approval given to progress, subject to £50,000 IT Strategy Budget monies being allocated and £14k of annual travel cost savings being agreed. Request for Service submitted to telent for implementation.

Last Updated: 25-Mar-2019

Activity Title: 1.1.4.7 EDRMS

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Ken Pearce - ITG Manager	In Progress	01-Apr-2018	31-Mar-2022	12.00%	15.00%	 AMBER

Activity Progress Comments:

Update 02-01-19: Demonstrations of workflow functionality completed for Assistant Directors, using Canon technology. Business Engagement Manager mapping high level business processes for review, with emphasis on HR. Now that decision has been made to adopt Office365 - next step is to evaluate opportunities such as workflow tools provided by Office365.

Update 25-03-19: Next step is for options paper to be developed for SLT, comparing in-house resourced programme (3-5 years) versus telent resourced initiative.

Last Updated: 25-Mar-2019

Activity Title: 1.1.4.11 Corporate Wifi

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Ken Pearce - ITG Manager	In Progress	01-Apr-2018	31-Dec-2019	60.00%	55.00%	 GREEN

Activity Progress Comments:

Update 02-01-19: telent station end WiFi audit has been completed for all stations. telent have fed requirements into procurement discussions currently underway via The Link and KCOM. The objective is to finalise the business case and complete the commercial negotiations by 31-03-19. The Corporate WiFi project can then be delivered as part of the overall Station End IT Strategy, in coordination with the Estates Strategy.

Update 25-03-19: telent in commercial discussions with the Link Consortium and KCOM. A business proposal is expected from telent by the end of May.

Last Updated: 25-Mar-2019

Activity Title: 1.1.4.12 Customer Relationship Management – Implementation

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Ken Pearce - ITG Manager	In Progress	01-Apr-2018	31-Dec-2019	43.00%	40.00%	 GREEN

Activity Progress Comments:

Update 01-10-18: PMO project manager in place and governance established. telent/Tisski have started the technical upgrade, which is due to complete in Mar 2019. Collaboration workshops have been completed with Surrey FRS and findings / recommendations for a moderate level of collaboration have been approved by SLT. PMO project plan currently states that the project will complete by 30-11-19.

Update 25-03-19: The upgrade of the existing MS Dynamics and application is due to be completed by Tisski and telent at the end of April. Business analysis will then commence on the requirements for the Risk Information module.

Last Updated: 25-Mar-2019

Safer Communities

AD Safer Communities

Activity Title: 1.1.1.3 Support implementation of the agreed Service Delivery Review proposals - delivering and enabling structure supporting the required empowering centred cultural change.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Mark Matthews - Assistant Director of Safer Communities	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Collective consultation nearing conclusion, Rota proposal remaining proposal requiring further consultation.
 Individual consultations progressing well and will be concluded by end of September
 GM process concluded
 SM process concluded
 WM/CM appointment panel running January
 1st February go live date for new structure.
 SC admin review - Hay evaluation of two J.D's being undertaken in February.
 Revised Officers rota progressing and likely to be agreed by Rep bodies Jan 19 for Feb 1st implementation.
 New rota delivered, appointments panels held and all vacancies filled at that point in time. Over 100 appointments over process.
 New structure now live.

Legacy work identified a post implementation plan and close down doc to go to SLT in May.

Last Updated: 23-Mar-2019

2018

Activity Title: 1.1.2.1 Design and trial a local assessment of risk (as detailed in CS strategy) that compliments the wider IRMP and Business planning cycle to ensure the effective and efficient allocation of local resources against the agreed community safety prevention themes

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Mark Matthews - Assistant Director of Safer Communities	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Annual assessment of risk process being devised by performance team, CS strategy agreed at SLT and Full Fire Authority. First run of annual assessment in January. Full assessment completed and available for Jan process.

AAR process undertaken ready for new financial year.

GM's now returning their ARR returns that will finalise end of monthly returns in respect of prevention and protection activities.

Last Updated: 23-Mar-2019

Activity Title: 1.1.4.4 Support delivery of CRM upgrade as a senior user

Community Safety Business Safety and SSRI work streams.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Mark Matthews - Assistant Director of Safer Communities	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Attended CRM board meeting and attending forthcoming workshops to ensure business processes have been fully identified. Admin support liberated for project. SC staff attending process design workshops for SSRI, CS and BS workstreams.

Strategic Operational requirement principles for three areas identified and formally presented. This support will continue next year as the project begins the workshops.

Last Updated: 23-Mar-2019

Business Safety

Activity Title: 1.1.3.3 Service wide rollout of support and delivery framework and Implementation of enabling structure through Service Delivery review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Andy Gausden - Group Manager- Business Safety	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Monthly and quarterly meetings planned and take place, with Business Safety Support Plan in place to capture actions required to deliver against Business Safety Thematic Plan.

Last Updated: 16-Apr-2019

Activity Title: 1.1.4.2 Propose Fire Investigation collaborative framework through revised BS strategy.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Andy Gausden - Group Manager- Business Safety	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

New Safer Communities Strategy including Community & Business Safety now agreed by SLT and Fire Authority, with Business Safety Thematic Plan in place, Business Safety teams working towards action plan.

3F Fire Investigation Collaboration project now in progress which will ensure continuous learning across the Service from Fire Investigation.

Last Updated: 16-Apr-2019

Central Group Eastbourne/Wealden

Activity Title: 1.1.3.3 Service wide rollout of support and delivery framework and Implementation of enabling structure through Service Delivery review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Pup Upton - Group Manger, Central	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

All of the stations within the Group have received input on the Support Delivery Framework via their Group and Station Managers at Team meetings. All stations are sending in an 'End of Month Return'. The process is not yet fully embedded. SM's to continue to explain the SDF to crews and ensure that the EOM Returns are completed accurately. The quality of the EOM Returns has improved but it is envisaged that once the Watch and Crew managers have been appointed following the plenaries then there will be a further improvement. SM's to continue to offer appropriate support to all Watch and Crew managers inline with the PM policy.

Last Updated: 29-Mar-2019

Community Safety

Activity Title: 1.1.3.5 Service wide rollout of support and delivery framework and Implementation of enabling structure through Service Delivery review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
David Kemp - Safer Communities - Lead Community Safety	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

CSD is included within this work

Last Updated: 09-Oct-2018

Activity Title: 1.1.3.6 Engagement:

Impact Assess Community Engagement Initiatives (min 6 per annum) With full evaluative understanding of the success of the engagement. For example, water safety events ensure engagement across protected characteristics.

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
David Kemp - Safer Communities - Lead Community Safety	Completed	01-Jun-2017	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

subject to the approval of the Safer Communities Strategy

Last Updated: 10-Aug-2018

East Group Hastings/Rother

Activity Title: 1.1.3.3 Service wide rollout of support and delivery framework and Implementation of enabling structure through Service Delivery review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Julie King - Group Manager, East	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

Watch consultations have been completed in relation to the Service Delivery review, and all relevant

Last Updated: 04-Apr-2019

West Group Brighton & Hove/Lewes

Activity Title: 1.1.3.3 Service wide rollout of support and delivery framework and Implementation of enabling structure through Service Delivery review

Responsible Person	Status	Start Date	End Date	Complete %	Target	On Target %
Nigel Cusack - Group Manager, West	Completed	01-Apr-2018	31-Mar-2019	100.00%	100.00%	 GREEN

Activity Progress Comments:

fully embedded in the city and lewes , partial introduction into Wealden , wm seminar and next steps to introduce across the Hastings and Rother group

Service managers seminar , delivering across 140 staff further work and invites arranged to the East Group to assist with the embedding of this system
next working group 30th Jan to progress with sm eom and Handbook

Last Updated: 19-Jan-2019

EAST SUSSEX FIRE AUTHORITY

Panel: Scrutiny and Audit

Date 25 July 2019

Title of Report 2019/20 First Quarter Corporate Risk Register Review

By Assistant Director Resources/Treasurer

Lead Officer Warren Tricker, Finance Manager

Background Papers Scrutiny and Audit Panel 5 June 2019, 2018/19 Fourth Quarter Corporate Risk Register Review

Appendices Appendix 1 RAID Log Scoring Matrix
Appendix 2 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 corporate and business risks are identified and managed. The Corporate Risk Register was refreshed early in 2018/19 with support from external risk experts.

Risks are scored against a 4x4 scoring matrix as shown in Appendix 1.

The review of corporate risks is an ongoing process and reports are presented on a quarterly basis. The updated position is shown in Appendix 2.

The process for reporting Project Risks is being changed. Such risks will be reported through the Programme Management Officer and escalated to the Corporate Risk Register when relevant.

This report discusses the first quarter position. It shows the Panel the business risks identified and how they have or are being mitigated.

This Report incorporates issues raised at the Quarter three Scrutiny and Audit Panel meeting on 31 January 2019.

RECOMMENDATION

The Panel is recommended to:

- a) Note the Q1 Corporate Risk Register including changes made since Q4
- b) Identify any issues where it requires further information or assurance

1. INTRODUCTION

- 1.1 This report brings the first quarter Corporate Risk Management Mitigation Plan. Corporate business risks are considered by SLT quarterly and reported to Scrutiny and Audit Panel for consideration.

2. FOR DISCUSSION

2.1 PMO recruitment progress update (Risk 11)

- 2.1.1 Previously in the Q3 Scrutiny and Audit Panel meeting members queried what measures were being taken to address the recruitment issues (under risk 11 on page 15 of the agenda) and training up of current staff in project management skills in the longer term.

- 2.1.2 Progress had been made and in the long term the Programme Officer Manager was looking at the overall approach, such as apprenticeships, consideration of market supplements and improving training and understanding within the current workforce. The HR team is currently working on a strategic workforce planning document that will highlight critical roles and succession planning behind them.

2.2 Risk to live fire training at Service Training Centre (Risk 14)

- 2.2.1 Planning permission has been granted to build a Costa Coffee and Premier Inn in the neighbouring field to the Service Training Centre (STC), this has highlighted the possibility in the future of commercial and residential properties in a close proximity to ESFRS sites increasing risks of site security and impact on operational activity at the sites, specifically live fire training at STC. This adds to an existing risk relating the existing residential site next to STC
- 2.2.2 It is possible smoke produced whilst performing hot burn exercises could be deemed a statutory nuisance under the Environmental Protection Act 1990. This has prompted the development of a business case exploring options for a clean burn strategy.

3. For Information

3.1 Proactive review of contamination projects

- 3.1.1 A number of projects are set out to identify and mitigate greater risks of contamination and exposure during operational duties.
- 3.1.2 Reviews regarding potential long-term health effects associated with prolonged exposure with contaminants and firefighter protective equipment, to determine a connection and decrease the risk of exposure related illness's
- 3.1.3 An increasing number of contamination research projects, have highlighted this as a global risk and encourage alignment. For this reason the Service has set up a Contaminants Working Group, with an oversight of many different project that have a direct impact on firefighter health.
- 3.1.4 Officers are working closely with staff at Brighton University who are conducting an investigation in to contaminants and how they are they affecting our current staff over a certain timescale.

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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)

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Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review Date	Corporate Risk Owner
2 Health & Safety non-compliance	<ul style="list-style-type: none"> Policy and practices not effective Policies not followed Inconsistent implementation H&S approach is not effectively targeting the highest risk areas Lack of proactive / preventative measures to reduce likelihood Specific issues regarding Face fit testing and Management of Contractors 	<ul style="list-style-type: none"> Training programmes in place Policies in place Appropriate systems exist Changes to the management and staffing structure Governance for Health, Safety & Wellbeing in place Revised estates policy for management of contractors 	Impact = 4 Likelihood = 2 Score = 8 Moderate	<ul style="list-style-type: none"> Health and Safety (H&S) policy frame work review including the implementation of a new H&S management system H&S peer review and implementations of findings Secondment of individual into Facilities Management (FM) role to deliver improvements in processes for estates / management of contractors for 12 months Acceleration of "facefit" programme for respirators using external contractor Finalising legal regulations for RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reports 	September 2019	AD Health and Safety

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review Date	Corporate Risk Owner
3 Future financial viability	<ul style="list-style-type: none"> Reducing funding stream (uncertainty) Failure to identify and deliver savings Difficult to predict future needs / resources required Changes in legislation increasing burden 	<ul style="list-style-type: none"> 2019/20 budget agreed Medium Term Finance Plan (MTFP) updates and reporting Efficiency Strategy agreed 75% Business Rates Retention (BRR) Pilot bid successful Continued monitoring of BRR proposals. Delivery of savings monitored and reported to SLT and members Resource Planning meeting to monitor operational establishment Establishment and use of general and earmarked reserves to manage financial risk Collaboration through East Sussex finance Officers Association (ESFOA) to protect shared income streams e.g. Council Tax and Business Rates Use of financial reserves to manage risks e.g. drawdown of £0.625m to manage financial implications of Sussex Control Centre Project 	Impact = 2 Likelihood = 3 Score = 6 Moderate	<ul style="list-style-type: none"> Further development of the actions set out in the Efficiency Strategy including Managers Seminar July 2019 Initial discussions at SLT to identify potential savings options for 2020/21 Review of Integrated Risk Management Plan (IRMP) including operational response review to start 2019/20 Lobbying in advance of Comprehensive Spending Review via National Fire Chiefs Council (NFCC) and local MPs 	September 2019	AD Resources / Treasurer
4 Failure to 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 management 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 IT 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 Agreement to direct fund two additional talent engineers funded from IT Strategy fund. 	Impact = 3 Likelihood = 2 Score = 6 Moderate	<ul style="list-style-type: none"> Resetting of IT Strategy underway Review of IT Governance (ITG) Business Engagement function to ensure fit for purpose Development of digital / innovation stream within IT Strategy Continued active management of talent including improvements in their project pipeline / delivery process 	30 September 2019	AD Resources / Treasurer
5 Ability to meet developing legislative requirements evolving from central fire safety regulatory reviews	<ul style="list-style-type: none"> Policy or legislative changes that are likely to arise from reviews and investigations 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" Continue to monitor developments from the Hackitt and Moore Bick reviews and potential legislative / regulatory changes 	Impact = 2 Likelihood = 3 Score = 6 Moderate	<ul style="list-style-type: none"> Refresh and publish a new Protection Strategy to take account of the emerging issues. Allocate ESFRS officers to national working groups to steer and understand the implications of the proposed national changes. 	September 2019	ACFO

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review Date	Corporate Risk Owner
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 processes Already lean workforce Cognisant of the HMICFRS findings 	<ul style="list-style-type: none"> Introduction of Strategic Workforce planning process (new action reads – embed and reinforce Workforce Plan) To explore and introduce a market supplement process for professional service jobs (new action reads – review contracts and policy to embed this process. Continue to consider the wider recruitment market to assess salary points for specialist posts). Recruitment and selection framework Process Improvement Project to deliver efficiencies in roles and policy supporting lean workforce 	Impact = 2 Likelihood = 4 Score = 8 Moderate	<ul style="list-style-type: none"> Locating resources with ITG to ensure employee data is General Data Protection Regulation (GDPR) compliant from a HR perspective. Redesign current talent pool process at each operational level within the Organisation Develop a strategic workforce planning process. To explore and introduce a market supplement process for professional service jobs To re-engineer the recruitment and selection processes for professional services 	September 2019	AD HR&OD
8 Failure to mobilise ESFRS effectively (Service Control Centre)	<ul style="list-style-type: none"> Legacy software incompatibility with newer versions Full specification not effectively implemented SCC incident / system failure Lose of staff resulting in insufficient staff to maintain business as usual operational service 	<ul style="list-style-type: none"> System went live for ESFRS resources on 20th March 2018 following satisfactory testing phases. Fall-back and business continuity arrangements designed, tested and operating (this includes fully functional secondary control at Maresfield. Refreshed approach to approach to attendance management. Additional resources made available due to project extension. Business As Usual and Project Budgets increased due to extension and to ensure resilience across both areas. New project manager appointed Crewing degradation policy in place. Resilience plan in place and being managed via weekly conference calls 	Impact = 4 Likelihood = 3 Score = 12 Substantial	<ul style="list-style-type: none"> Further audits and remediation plans for Mobile Data Terminals, Wi-Fi and Station End Equipment Scenario planning for future options / outcomes underway including further options around staffing being considered Exit Strategy for WSFRS being developed Project 21 underway to identify options at end of current contract for mobilising service – due to report to CFA September 2019 	September 2019	DCFO

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review Date	Corporate Risk Owner
<p>9 Failure to manage the effects and impacts of a major loss of staff event</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 200</p>	<ul style="list-style-type: none"> Lack of engagement with unions / staff Poor / ineffective consultation practices Ineffective communications Lack of business continuity Pandemic Flu Major travel disruption Failure of National pay negotiation leading to action short of a strike 	<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". 	<p>Impact = 3 Likelihood = 3</p> <p>Score = 9 Moderate</p>	<ul style="list-style-type: none"> Introduce a revised Business Continuity Plan for major loss of staff Develop a continuity handbook for staff to assist in managing the early stages of a major loss of staff. Engage with key staff to understand the landscape of staff availability during these events Deliver an Emergency Management Team (EMT) exercise to test the plans and response by the key staff within the continuity plans. Working with Sussex Resilience Forum (SRF) to assess threat and risk as part of community risk 	<p>September 2019</p>	<p>ACFO</p>
<p>10 Ability to respond effectively to a cyber incident</p>	<ul style="list-style-type: none"> Lack of effective Business Continuity Plan (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"> Intention to progress the IT Risk Treatment Plan IT Health now complete. The Information Security Management Forum to meet on a regular basis Information Security e-learning in place Integrated Aristi report now received and action report based on findings 	<p>Impact = 4 Likelihood = 2</p> <p>Score = 8 Moderate</p>	<ul style="list-style-type: none"> Information Security Strategy to be developed External provider Aristi appointed to support development of new IS Framework Working with Aristi to convert report into a risk treatment plan: to include actions from IT health checks Review of NRR and further national guidance being considered by SRF. ESFRS involved closely in this work and any relevant actions to be fed back to the service. 	<p>September 2019</p>	<p>DCFO</p>

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review 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 Inability to recruit to vacant posts in the Programme Management Office (PMO) 	<ul style="list-style-type: none"> Assignment of programme management office Set up of the PMO – team, processes, standards, PMO Manual Set up of Projects Tool Kit Intranet pages including templates, guidance and information to project managers and all staff involved in projects. Portfolio capture in place and rationalisation of clusters and sub clusters of projects. Set up of monthly reporting of projects into the PMO and quarterly / yearly PMO reporting to SLT. Terms of Reference for set up of Portfolio Change Board Key projects managed directly by the PMO (FireWatch, CRM, Business Intelligence, Respiratory Protective Equipment, ESMCP). 	Impact = 3 Likelihood = 2 Score = 6 Moderate	<ul style="list-style-type: none"> PMO Manual to go into consultation July 19. Review of the PMO in the context of business need – including Job Descriptions to present options for ways forward Continue to embed processes across the board. Managing key projects in the PMO Dependencies analysis and risks Further development of quarterly reporting. Carrying out Projects health checks with PMs Reviewing Boards Operations. Terms of References for a Portfolio Change Board 	April 2020	DCFO
12 Uncertainty about the UK's exit from the EU and it's short term impacts	<ul style="list-style-type: none"> Economic shock and impact on funding Supply chain problems Disruption around ports and port access routes Civil unrest Increased risk to vulnerable groups 	<ul style="list-style-type: none"> Strategic & Tactical Coordinating Groups established and ESFRS decision log and concept of operations in place Multi-agency table top exercise and risk review process established. Engaged with Sussex Resilience Forum which is leading local planning Brexit Gold Group established then suspended following delay to exit timetable Existing Business Continuity plans being reviewed Linking with work being carried out nationally through NFCC Risk / impact assessment developed Assessment of supply chain risk 	Impact = 2 Likelihood = 4 Score = 8 Moderate	<ul style="list-style-type: none"> Staff awareness and communications plan in place Key staff training and workshops completed and necessary actions included within risk assessment Member and Corporate briefing completed Gold Group to be reconvened at appropriate time 	September 2019	ACFO

Risk Title	Causes	Mitigations	Mitigated Risk Score	Actions	Review Date	Corporate Risk Owner
13 Collaboration	<ul style="list-style-type: none"> Collaboration fails to deliver desired outcomes Resources required to support collaborative activities not justified by improvements in efficiency and / or effectiveness 	<ul style="list-style-type: none"> Collaboration Framework agreed and in place Priorities agreed for 2018-21 Regular tracking of collaboration activities through business performance system Governance in place e.g. 4F and Integrated Transport Function (ITF) Legal advice on formal collaboration agreements 	Impact = 3 Likelihood = 2 Score = 6 Moderate	<ul style="list-style-type: none"> Regular review of collaborative activities through SLT and S&A Panel 	September 2019	AD HR&OD
14 Security and safety of staff and visitors on ESFRS sites	<ul style="list-style-type: none"> Damage to buildings and assets Injury to Personnel Service Delivery: Unable to deliver training and requalify personnel if interruption continues Industrialisation of areas surrounding ESFRS premises perpetually halting operational practice on sites. 	<ul style="list-style-type: none"> Safety Measures implemented in affected areas of Service Training Centre (STC) when burning i.e. PPE, Cordons. The use of Community Order prohibiting protagonist from attending Authority premises Increased safety officers Temporarily ceased some lay flat testing to Air Quality Testing 	Impact =3 Likelihood = 3 Score = 9 Moderate	<ul style="list-style-type: none"> Meeting with Traveller Rep, ESCC Rep and Sussex Police to discuss concerns. Review of whole site security in conjunction with Estates. Traveller Community Engagement, education and information around work and function of STC. Independent Air Quality Testing Report to be undertaken Project long term review of live fire training facilities Business case being developed for a clean burn strategy 	September 2019	AD Training & Assurance

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny & Audit Panel

Date 25 July 2019

Title of Report 2018/19 Annual report of the ESFRS Local Firefighters' Pension Board

By Hannah Scott-Youldon, Assistant Director – Organisational Development, Human Resources, Training & Assurance

Lead Officer Zoe Downton, Democratic Services Officer

Background Papers Local Firefighters' Pension Board meetings held on 14 June 2018, 6 December 2018 and 14 February 2019

Appendices None

Implications

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

PURPOSE OF REPORT To inform the Panel of the matters considered by the Pension Board during 2018/19.

EXECUTIVE SUMMARY

The Authority, (on 12 February 2015), approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The terms of reference of the Pension Board state that the Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

The Board has met on three occasions during the year.

The Board has considered local issues and national issues and their impact on the East Sussex Schemes.

The Board has been made aware of data quality issues identified during the year and also of proposals to transition FPS administration and payroll to another provider.

RECOMMENDATION

The Panel is asked to note the annual report of the Pension Board for 2018/19 and that the Board has not identified any matters of concern in the administration of the Firefighters' Pension Schemes.

1 ESTABLISHMENT OF THE LOCAL PENSION BOARD

1.1 The Authority (on 12 February 2015) approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The Authority agreed that the Board should comprise four employee representatives (one each from Fire Brigades' Union (FBU), Retained Firefighters' Union (RFU), Fire Officers' Association (FOA) and Association of Principal Fire Officers (APFO - now FLA; Fire Leaders Association)) and four employer representatives drawn from the Fire Authority.

1.2 The Authority also approved a role description for employer and member representatives. The terms of reference for the Board are set out in the Authority's Constitution and can be viewed at:

<http://www.esfrs.org/about-us/fire-authority-constitution/>

The terms of reference indicate that the Board should meet a minimum of twice per year, although the Board understood that this may have to be more often whilst it became established and familiar with its role.

1.3 The Board members for 2018/19 were:

Employer Representatives: Councillors Deane, O'Quinn, Taylor and Tutt

(Other Employer Representatives during 2018/19 - Councillor Caroline Penn, elected Chair of the Board on 14 June 2018, ceased to be a Fire Authority Member on 13 December 2018. Councillor Stuart Earl sadly passed away in October 2018).

Employee Representatives:

- Matt Lloyd (Fire Officers' Association)
- Mark Andrews (Fire Leaders' Association)
- Justin Goodchild (Retained Firefighters' Union)
- Mark Brown (Fire Brigades' Union)

The Board elected Councillor Caroline Penn as its Chair for the year. Following her departure temporary Chairpersons were elected at each subsequent meeting. Councillor David Tutt was duly elected as Chairman for those meetings on 6 December 2018 and 14 February 2019.

There were changes during the year to officer support for the Board. Vikki Boundy, the Payroll and Pensions Manager, who had been with the Board since its creation left the Service. Vicky Chart, the Assistant Director with overall responsibility for Pensions also left. In their place, the Board welcomed Judith Sarpong (Pensions Advisor) and Hannah Scott-Youldon (Assistant Director – Organisational Development, Human Resources, Training & Assurance).

2 MEETINGS OF THE BOARD

- 2.1 The Board has met on three occasions – 14 June 2018, 6 December 2018 and 14 February 2019. The meeting scheduled for 6 September 2018 was cancelled pending receipt of specialist legal advice.

Board Member	Expected Attendance	Actual Attendance	% Attendance
Mr Andrews	3	3	100%
Mr Brown	3	0	0%
Cllr Deane (<i>joined mid-year</i>)	2	2	100%
Cllr Earl (<i>deceased</i>)	1	1	100%
Mr Goodchild	3	0	0%
Mr Lloyd	3	1	33%
Cllr O'Quinn (<i>joined mid-year</i>)	1	1	100%
Cllr Penn (<i>left mid-year</i>)	2	1	50%
Cllr Taylor	3	2	66%
Cllr Tutt	3	3	100%

3 MAIN ISSUES CONSIDERED BY THE BOARD

3.1 14 June 2018

3.1.1 Firefighters Pensions England Scheme Advisory Board FPS Bulletins 4 - 8

The Board briefly considered 5 FPS Bulletins.

3.1.2 Firefighters Pensions (FP) Scheme Administration Update

The Board received a report from the Head of Operations, Orbis which provided an overview of key activities affecting the delivery of the scheme administration, and considered an update on performance and themes including key performance indicators for 2017/18. The report assisted the Board in monitoring the effectiveness of the scheme administration. The Head of Operations acknowledged the shortage of staff with pension

knowledge and expertise and advised that Orbis had recently had difficulty in recruiting employees with the requisite experience. However, a new Pensions Manager had recently been appointed and would take up his post in October. Orbis were on target to deliver annual benefit statements by the statutory deadline of 31 August 2018. The report also set out the steps that were being planned to ensure that work on the GMP (Guaranteed Minimum Pension) Reconciliation was delivered in a timely manner.

3.1.3 Firefighters' Pension Scheme – Audit Update

The Board received a report from the Assistant Director Resources/Treasurer which informed Members of the outcome of an internal audit in relation to administration of the Firefighters' Pension Schemes.

The Pension Regulator's Code of Practice requires a scheme manager of a public service pension scheme to establish and operate internal controls, These must be adequate for the purpose of ensuring that he scheme is administered and managed in accordance with the scheme rules and in accordance with the law. The internal audit review conducted as part of the 2017/18 Audit Plan gave a substantial assurance opinion and made no recommendations to improve control.

3.1.4 Firefighters Pension Scheme GDPR Privacy Notices

The Board noted that the LGA had produced a template privacy notice for Fire Authorities as the data controller for firefighter pensions.

3.2 6 December 2018

3.2.1 Pensions Update

The Board received an update on Pensions matters, namely;

2006 Special Member Tax Relief – Following a court ruling in 2006 (in the case *Matthews v Kent and Medway Fire Authority*) retained firefighters won the right to elect to join the modified section of the Firefighters Pension Scheme 2006 (FPS 2006) as a special member. Recent contact with members and Fire and Rescue Authorities suggested that a number of compliance issues needed to be resolved. All Scheme Managers of Fire & Rescue Authorities had been asked to provide further information to enable HMRC to establish compliance and also to ensure consistency of treatment across the sector. The fact that the Service had received the letter should not be interpreted as HMRC suggesting that we had not been compliant, as the same letter had been issued across the Fire & Rescue sector.

GMP Reconciliation – HMRC had requested that Fire & Rescue Authorities supply guaranteed minimum pension (GMP) data for their

firefighters. HMRC needed to compare this information with the data they held to fulfil the reconciliation process.

The Service had signed up to the HMRC reconciliation service. Orbis had engaged in commercial negotiations with a third-party provider for the Local Government schemes reconciliation exercise, and they had confirmed that the Fire data would be reconciled at the same time within the same agreement. Orbis were committed to achieving the HMRC deadline of December 2018.

Transitional arrangements – Firefighters Pension Scheme 2015 – Following the introduction of the new Firefighters Pension Scheme on 1 April 2015, the FBU had levied a trade dispute which remained live. Transitional arrangements were introduced by the Government. The Board was reminded that the Transitional arrangements and issues surrounding them were as a result of national policy and not local decision-making. The Board was informed that the matter had been to the Court of Appeal but a judgement was not anticipated until Spring 2019 at the earliest.

Firefighters’ Pension Schemes – 2016 Valuation – The Government Actuary Department (GAD) was now in receipt of the initial data from FRAs as part of the 2016 valuation of the firefighter pensions’ schemes. The process would value the total liabilities of the 1992, 2006 and 2015 Schemes as at 31 March 2016. The Board was informed that the GAD had now completed its valuation of the Schemes. As a result, the level of employer’s contributions would increase and would have a significant impact on the Actuary’s view of future liabilities.

The overall increase in employer’s contributions for the fire sector was estimated as £107m. The Treasury was to fund all but £10m for the financial year 2019/20 through a S31 grant but there was no further funding guaranteed for 2020/21 onwards. This would form part of the Comprehensive Spending Review. If funding was not addressed through CSR then the impact of this Authority was estimated to be c£1.6m – the equivalent of the cost of c40 firefighters.

GDPR – LGA commissioned Squire Patton Boggs to produce a template privacy notice for Fire Authorities as the data controller to use /adapt.

The full privacy notice was intended to enable Fire Authorities in their capacity as data controller of personal data relating to the Firefighters Pension Scheme for which they are responsible, to satisfy their obligation under the General Data Protection Regulations (“GDPR”) to inform affected individuals what personal data is held and how it is used for the purposes of the pension scheme.

The Service had adapted the templates for use and was awaiting confirmation from Orbis that these notices had been sent to members. The Service does not hold data relating to deferred and pensioner members.

Survivor's Benefits – On 16 April 2018 the Home Office launched a consultation on amendments to survivors' benefits in the Firefighters' Pension Scheme 2006 and various amendments to the Firefighters' Pension Scheme 1992, the Firefighters' Pension Scheme 2006 and the Firefighters' Pension Scheme 2015. A recent Supreme Court case relating to the entitlements of a public service pension scheme member's partner had led the Government to give fresh consideration to this matter for all public service pension schemes, including those for firefighters. The consultation sought the views of interested parties on draft legislation to enact these changes. The consultation closed on 14 May 2018.

3.2.2 Firefighter Pension Schemes Administration Update

The Board received a report from the Lead Pensions Manager, Business Operations, Orbis which provided an overview of the statutory activities concerning the delivery of Firefighter Pension Administration to the Service and to help the Board measure the effectiveness of the scheme administration. The report confirmed to the Board that the Key Performance Indicators showed that performance was good overall.

3.2.3 Firefighters Pensions England Scheme Advisory Board FPS Bulletins 9 - 13

The Board briefly considered 5 FPS Bulletins.

3.3 14 February 2019

3.3.1 Firefighter Pension (FP) Schemes

The Board received the Report of the Business Operations team at ORBIS which notified the Board on the performance of ORBIS Pensions Administration and other key themes. Work was ongoing into Guaranteed Minimum Pension (GMP) reconciliation by ORBIS' supplier JLT. This work had seen an increase in the total discrepancies from 730 to 1027 between 10 January and 24 January 2019. In the same period there had been a reduction in the number of true GMP discrepancies from 322 to 171. There had also been a number of cases referred to the Pension Admin service to investigate as JLT had been unable to resolve with their resource and access. A number have been answered and returned to JLT, outstanding queries continue to be investigated and will be referred to ESFRS if they cannot be answered by the admin team. Currently it was hard to predict the final outcome of this project.

It was reported that all interfund transfers, estimates to members, deferred benefits, retirements and transfers out of the fund were produced within target during this period. The Board were pleased with the performance for this period and congratulated all those involved on some good results.

3.3.2 Scheme Manager Update

The Board welcomed Judith Sarpong, the Service's new Pensions Advisor. Judith had already started a significant amount of work, particularly finding new issues around Data quality. She intended to investigate thoroughly in order to understand the scale of the work to be done. The Assistant Director Resources/Treasurer agreed that, in addition to the national GMP reconciliation exercise, the issue of Data quality was an important one locally and informed the Board that there may be issues uncovered that would need to be brought before the Pension Board at future meetings. The Board were informed that the Authority was exploring options to transition FPS administration and pension payroll from the current provider ESCC / Orbis to another public sector provider. This resulted from concerns about the quality of the service and consolidation of the FPS administration market nationally. ESCC / Orbis had confirmed that they would work with the Authority to ensure a smooth transition.

3.3.3 FPS Data Quality Results and Data Correction & Improvement Plans

The Board received the report of the ESFRS Pensions Advisor (PA) informing them of the data quality review results and proposing data correction and improvement plans to remediate the failings and establish ongoing actions to prevent re-occurrence. The Board identified that it wished the Data Improvement and Correction plans to focus on any points that might have an adverse effect on scheme members.

3.3.4 Eligibility to join the Firefighters' Pension Scheme

The Board received the report of the Monitoring Officer (MO) providing a summary of Leading Counsel's advice regarding eligibility to join the Firefighters' Pension Scheme. The MO explained that in August 2018 the Pension Board Chair had received correspondence from the Fire Brigades Union raising questions regarding the eligibility of senior Fire Authority Officers to join the firefighter's pension scheme. Due to technical complexities it was decided to seek independent external legal advice. The report resulting from Leading Counsel was one on law and principle and referred to both primary and secondary legislation. The conclusion of the advice received was that the decision of the Authority in deciding to admit certain Senior Officers to the firefighter's pension scheme was in accordance with the law.

4 CONCLUSION

4.1 The Board has been made aware of data quality issues identified during the year and also of proposals to transition FPS administration and payroll to another provider.

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