East Sussex Fire Authority

Statement of Accounts

2015/16

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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:

Treasurer
East Sussex Fire & Rescue Service
20 Upperton Road
Eastbourne
East Sussex
BN21 1EU

Or by email to finance@eastsussex.gov.uk or enquiries@esfrs.org.

Narrative Report by the Treasurer

Introduction

The purpose of the Statement of Accounts is to give the reader clear information about the Fire Authority's finances for the year ended 31 March 2016. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is published by the Chartered Institute for Public Finance and Accountancy (CIPFA) and is based upon International Financial Reporting Standards (IFRS).

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

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

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

The vision and aims for the Authority in 2015/16 are set out below and these are what we planned to deliver through our agreed budget and medium term financial plan:

Our vision – achieving safer and more sustainable communities

Our aims:
- To deliver quality services within available resources
- To ensure a competent, diverse, safe and valued workforce

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

Statement of Accounts

The main statements in these accounts comprise:

- The Movement in Reserves Statement (MiRS) – this statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement (CIES) – this is fundamental to the understanding of the Authority's activities. It brings together all of the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.
- The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.
- The Cash Flow Statement – this summarises the changes in cash and cash equivalents of the Authority during the reporting period.
- The East Sussex Firefighters' Pension Fund Accounts – this summarises the transactions relating to the Firefighters' Pension Fund Account for 2015/16. This is an unfunded scheme (i.e. it is not backed by investments) into which employee and employer contributions are paid and from which pension payments are made. The account is topped up by a grant from Government if the contributions are insufficient to meet the cost of pension payments in any one year.

Changes to accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRSs), 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 2015, and applies for accounting periods commencing on or after 1 April 2015.

Narrative Report by the Treasurer

The Code of Practice on Local Authority Accounting 2015/16 (the Code) highlights the following key updates/changes in accounting practice:

The following key updates/changes that will affect the 2015/16 Accounts include:

- Amendments to underline CIPFA/LASAAC's view of the importance of the consideration of materiality when preparing disclosures for local authority financial statements.
- The introduction of a new section on fair value measurement to reflect the adoption of IFRS 13 Fair Value Measurement, and a number of consequential amendments following the adoption of the standard.
- Clarification of the reporting requirements for disclosures that support the Movement in Reserves Statement.
- Clarification of the current adaptation of the measurement requirements for property, plant and equipment following the adoption of IFRS 13 and the introduction of the concept of current value.
- Introduction an interpretation to clarify what a short period means for the measurement of a class of assets for local authorities.
- Relevant extant LAAP Bulletins, including:
    - LAAP Bulletin 99 Reserves and Balances, and
    - LAAP Bulletin 104 Closure of the 2015/16 Accounts and Related Matters

Financial Report

This section of the Statement of Accounts for 2015/16 sets out:

- The construction of the original budget for 2015/16.
- The final outturn for 2015/16.

Setting the Revenue Budget for 2015/16

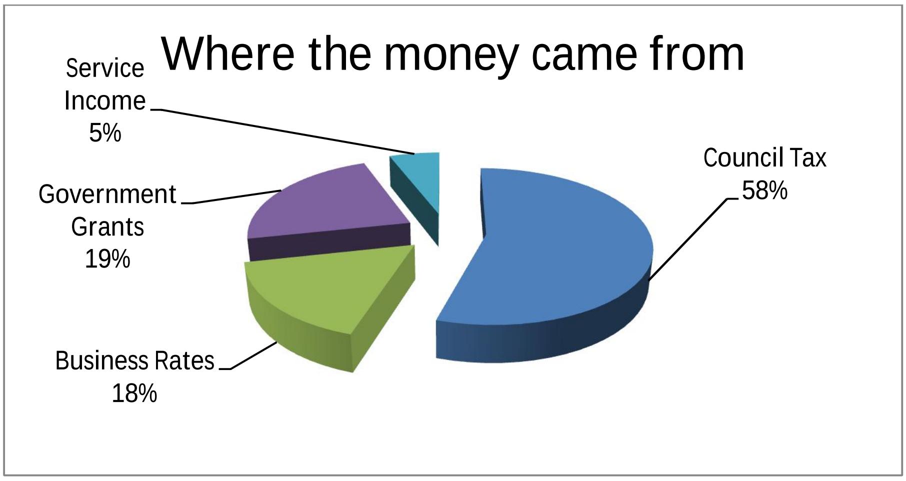
The Authority has developed its service planning processes so that they provide a sound basis both for setting its strategic objectives, plans and policies and for its medium term financial planning and budget setting. The Authority's Medium Term Financial Plan (MTFP) is based on the assumption that there will continue to be reductions in funding as a result of the Government's deficit reduction strategy. Through its "Changing the Service, Shaping Our Future" programme the Authority is seeking to ensure that it can continue to deliver its vision, aims and service standards with the reduced level of resources it expects to have in the future. You can find out more about the programme at http://www.esfrs.org/about-us/changing-the-service/.

In February 2015 the Authority set its revenue budget for 2015/16 at £38.627m a 0.4% reduction on the previous year. Savings totalling £1.023m which were expected to grow to £3.654m by 2018/19 were included, adopting the 3 phase approach approved by the Fire Authority the previous year to include a programme of reviews of operational services and a series of non-operational savings options. Following consultations with representative bodies the Fire Authority approved alternative proposals to the main Phase 2 savings. The Fire Authority also agreed to a small increase in its Council Tax of 1.94%, as it had done the previous year. Revenue Support Grant from Central Government was cut by £1.537m (17.0%) to £7.514m. The budget also took into account additional spending pressures beyond pay and price inflation and other unavoidable commitments, primarily around additional pensions costs resulting from the Modified Firefighters Pension Scheme and allowed the Authority to support its Capital Programme from the Revenue Account by £1.087m. From 2015/16 the Authority entered into a Business Rates Pool with other local authorities in East Sussex which aims to retain a greater proportion of growth in income from business rates locally. By entering into the Pool it was estimated that an additional £0.226m in income would be received and although there was a possibility that the Pool may make a loss (for which there is no Government Safety Net) this was assessed as a low risk. At year end the actual yield was £0.165m.

In setting the 2015/16 Revenue Budget the Fire Authority had achieved a balanced position in the medium term, although this assumed that all savings targets will be achieved.

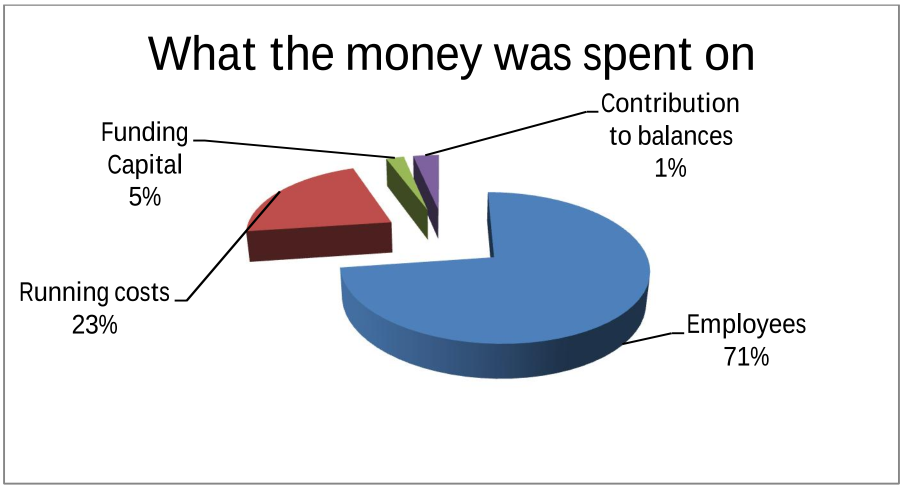
Revenue Expenditure and Income

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



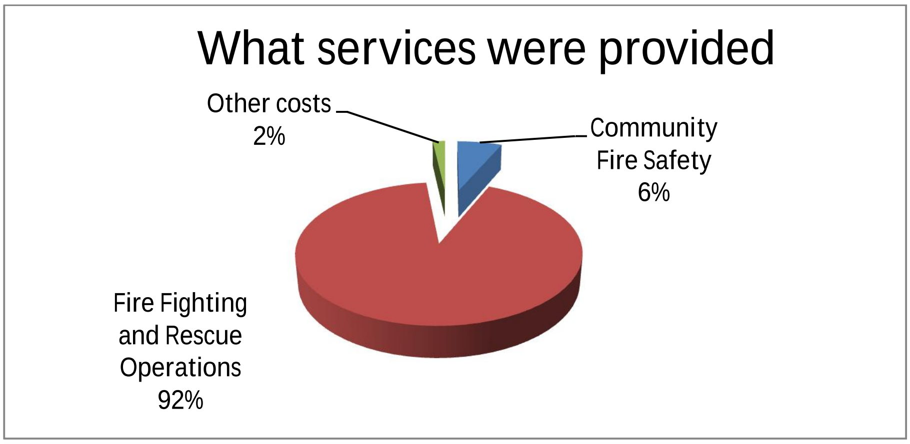
The majority 58% comes from the Council Tax payers of East Sussex and the City of Brighton & Hove. The two other main sources are Government Grants and Business Rates at 19% and 18% respectively with Service income 5% making up the remainder.

The next chart shows what this money was spent on:



Fire Authority services are heavily reliant upon staff, and employee costs including employers pension contributions accounted for 71% of expenditure. Running expenses including the cost of premises, transport and supplies and services accounted for 23% of the total, 5% is made up of the cost of funding capital expenditure including the costs associated with loans taken out to invest in the Fire Authority's services and 1% contribution to balances to fund future one-off investments.

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



The Authority's focus is on services to local communities and this is reflected by the fact that 92% of expenditure is on firefighting and rescue operations. Within this there is an increasing focus on community safety work. Dedicated community safety work makes up 6% of total spend 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. There is a small balance of 2% covering corporate and democratic core costs.

Analysis of the Revenue Budget

The table below sets out the main components of the Revenue Budget for 2015/16 and how these compare with the actual outturn:

Year to 31 March 2016	*Original Budget £'000*	*Revised Budget £'000*	*Actual Outturn £'000*	*Variance against revised budget £'000*
Employees	28,268	28,622	28,798	175
Premises	2,208	2,218	2,288	70
Transport	1,094	1,147	947	(199)
Supplies and Services	6,087	5,987	6,026	40
Capital Financing	955	955	955	-
Less Income	(2,072)	(1,926)	(2,100)	(175)
Net Expenditure	**36,540**	**37,003**	**36,914**	**(89)**
Capital funded from the Revenue Account	1,087	1,097	1,097	-
Transfer from Balances	-	(674)	(674)	-
Transfer to Balances	1,000	1,155	1,155	-
Total Net Expenditure	**38,627**	**38,581**	**38,492**	**(89)**
Financed by:				
Government Grant	(7,790)	(7,805)	(7,806)	(1)
Business Rates	(7,290)	(7,229)	(7,229)	-
Council Tax	(23,170)	(23,170)	(23,170)	-
Collection Fund Surplus	(377)	(377)	(376)	1
	(38,627)	**(38,581)**	**(38,581)**	**-**
Over (Underspend)	**-**	**-**	**(89)**	**(89)**

Throughout the year 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.

The Authority's original estimate of net revenue expenditure for the year was £38.627m. The table above shows that, the Authority's actual expenditure was £38.492m and our sources of finance were £38.581m. Taken together this means that the Authority underspent by £0.089m effectively 0% of its Revised Budget. The net position is the result of a combination of underspending in some areas and overspending in others. The main overspends are in the Wholetime Pay budget is projected to be overspent by £597,000 which has arisen from a number of factors including: changes to savings proposals for locality managers and Day Crewed Station, crewing allowances, additional bank holidays falling in 2015/16 and the impact of providing cover for long term absences. The underspend related primarily the Firefighters pension budget of £291,000, £116,000 in Information Management as a result of unfulfilled orders on projects lower than anticipated staffing levels and underspends totalling £274,000 the result of fortuitous circumstances including a reduction in the provision for the Norman vs Cheshire pension case £143,000, unrequired funding for the part time workers ruling of £63,000 and operational lease rebates of £68,000.

The analysis of revenue expenditure provided is for budgetary comparison purposes and does not agree directly to the analysis of expenditure contained in the CIES. The disparity arises because the CIES is presented in a prescribed Service Reporting Code of Practice (SeRCOP) format, based on standard accounting practices, which facilitate direct comparisons with other Local Authorities. For example, for external reporting purposes, the CIES includes gains and losses on the sale of fixed assets. The differences in presentation and convention may significantly affect the reported cost of services, but it has no effect on the total reported expenditure of the Authority.

Reserves and Balances

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

The Authority's revenue balances have increased by £0.570m to £13.132m at 31 March 2016 (including the 2015/16 Revenue Budget underspend of £0.089m), of which 76% is held for specific purposes. With the addition of the Capital Reserves of £6.438m this means that total usable reserves stand at £19.570m - 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 £9.990m, the most significant being those to provide resources which may be used for capital spending in order to reduce the need for and consequent revenue cost of borrowing and to support service improvement, particularly in Information Management, and the delivery of savings. Other earmarked reserves cover the replacement of Breathing Apparatus, Budget Carry Forward, Insurance Fund, and Sprinkler Installation.

Certain reserves are held to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Authority.

The Capital Programme

In 2015/16, the Authority spent £3.168m on its vehicles, buildings and other capital projects.

The Authority can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding in 2015/16 was Capital Receipts (£1.087m), the Revenue Account (£1.097m) and capital grants and other contributions (£0.689m) 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 £3.241m. This includes in year revisions to remove the scheme to provide Day Crewed Plus Accommodation at Roedean and the Ridge and changes to the phasing of various works on the built estate. The underspend of £0.073m compared to the revised budget was an aggregation of minor underspending on various projects none of which individually exceeded £0.042m.

The larger schemes during the year included the work on Saxon House in Newhaven (£2.464m) and the addition of fire appliances, ancillary vehicles, vans and cars to the fleet (£0.633m).

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 2015/16 loans of £0.150 were repaid, no new borrowing was undertaken during the year, so total borrowing as at 31 March 2016 fell to £10.973m.

At its meeting in February 2016 the Fire authority approved a Capital Programme for 2016/17 of £4.566m which will be financed by capital receipts of £2.264m, other earmarked reserves of £0.750m and capital grants of £0.607m with the balance being met from revenue contributions and other internal sources.

Impact of Benefit Pension Schemes

In line with the accounting standard IAS19, the Authority's net liability for future pension payments, as shown in the Balance Sheet, has fallen from £397.770m at the start of the year to £343.598m at 31 March 2016. Note 36 to the accounting statements provides more detailed information.

The explanation for this significant change is as follows:

- In assessing liabilities for retirement benefits at 31 March 2016, the actuary has made a number of changes to the assumptions most significantly to an increase in the discount rate of 0.3% nominal which is due to a change in market conditions since 31 March 2015. An increase in this discount rate decreases the value of the assessed value of liabilities as a lower value is placed on benefits paid in the future.

The resultant impact on the CIES is a charge of £0.216m under Non Distributed Costs for past service costs (in effect recognising "underpayment" in previous years) and an Actuarial gain on pension liabilities of £66.543m.

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 2015/16, agreed in February 2015 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 £0.129m at an average rate of 0.65% (0.15% above the base rate which remained at a historically low level of 0.50% throughout the year). During the year, and in accordance with its Treasury Strategy, the Authority continued to invest in the highest quality rated banks and increased its use of a number of fixed term and notice accounts alongside continued use of overnight access cash money market funds.

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

2016/17 and beyond

The Authority's budget for 2016/17 was set at £38.335m, a reduction of 0.8% over the previous year, and in light of the financial challenge facing the Authority in the future, Members agreed to raise Council Tax for only the second time since 2010/11 by 1.94% taking a Band D property to £86.72. 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 £1.67 per week (for the average household).

The 2016/17 Revenue Budget and the Medium Term Financial Plan (MTFP) for the five years to 2020/21 were set in the context of continuing and sustained reductions in funding for public services as the coalition government sought to reduce the national deficit. The expectation was that these reductions would continue at the same level until at least 2020. The current Government continues to reiterate the goal of further reductions in public spending in the life of this Parliament.

At the same time the Authority continues to face a number of pressures on its spending, especially in relation to pay as a result of single state pension and ensuring that transformation programme is adequately resourced. There is a degree of uncertainty about the Government's plans for full retention of Business Rates and a consultation paper is expected in summer 2016. In overall terms the Authority's MTFP anticipates a balanced position until 2019/20 assuming that the full £3.324m savings already identified are delivered with further savings of £0.249m required in 2020/21. It is assumed that Revenue Support Grant will reduce to nil from £6.196m by 2020/21 and that Council Tax will continue to be increased by 1.94% each year. The Authority has welcomed the Government's offer of a four year funding settlement to 2019/20 and has reflected the Government's indicative funding figures in its MTFP. At the time the budget was set the Government had not clarified what was required to formally accept the four year funding settlement, and guidance was subsequently issued by the Home Office (which took over responsibility for the fire service from the Department for Communities and Local Government on 1 April 2016) which the Authority is considering.

The Authority has already taken some difficult decisions as part of Phase 2 of its 'Changing the Service Shaping our Future' programme and these are reflected in the 2015/16 outturn, the 2016/16 budget and the MTFP. These decisions are changing the level of resources we have available across the community but we will still be able to achieve our agreed service standards for attendance at incidents. Members and officers are continuing to explore opportunities to transform the service we offer, enabling us to continue to achieve our aim of safer and more sustainable communities whilst at the same time addressing the funding gap we face. The key elements of this programme are:

- IMD Transformation – the Authority has agreed to change the way it delivers its IT through an outsourcing project which aims to provide a service which is fit for purpose and enables more effective use of technology to support our services. A procurement process is complete and the new service should be ready for implementation in the third quarter 2016/17.
- Service HQ – the Authority has agreed a business case to co-locate our Headquarters with Sussex Police in Lewes. We expect that this will deliver some short term financial savings, but more importantly will enable (along with our IMD Transformation) a more agile approach to working and greater collaboration between the fire & rescue and police services. It will also generate a capital receipt from the sale of the current Service HQ.
- The implementation of changes to crewing of appliances (primarily 'Riding at Standard') to achieve savings in the Revenue Budget as an alternative to the move to Day Crew Plus arrangements at two of the Day Crewed stations.
- Emergency Services Collaboration Project – this project brings together police, fire and ambulance services across Surrey and Sussex. Its current focus is developing a business case for an Integrated Transport Function which would deliver improved services and financial savings to the partners. The project has been successful in bidding for £5.96m in grant funding from central government.
- Support Services – the Authority is continuing to work closely with other public sector bodies to examine the opportunities for collaboration particularly for support services, where this can offer opportunities for improving resilience, enabling service transformation and reducing costs.
- Management Restructure- the Authority has also carried out a restructure of its senior management team which it is expected will deliver savings in excess of £0.200m once fully implemented as well as improving its strategic focus and decision making.

The Authority believes that this transformation programme will deliver financial savings and ensure it continues to provide an effective service to the community, in line with its service standards. It also places us in a strong position to meet the challenge set out by the Government in the draft Police and Crime Bill to collaborate with other emergency services.

The development of the new Integrated Risk Management Plan (IRMP) in 2016/17 will be closely linked to the development of our future financial plans, ensuring that service priorities are matched to available resources and that the Authority can achieve financial sustainability over the medium term.

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 12 to 13.

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

The Audit Opinion

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

Duncan Savage

Duncan Savage

Treasurer

27 June 2016

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 2016 and its income and expenditure for the year ended. These financial statements replace the unaudited financial statements authorised for issue on the 27 June 2016.

Duncan Savage

Duncan Savage

Treasurer
27 June 2016

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

Opinion on the Authority financial statements

We have audited the financial statements of East Sussex Fire Authority for the year ended 31 March 2016 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 39;
- Firefighters' pension fund financial statements comprising the:
  - Fund Account; and
  - Net Assets Statement and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Sussex Fire Authority as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

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

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the East Sussex Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the East Sussex Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 2016.

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.

[redacted]

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
15 September 2016

Annual Governance Statement for the year ended 31 March 2016

1. Scope of responsibility
East Sussex Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. To this end the Authority has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code is on our website at http://www.esfrs.org/about-us/east-sussex-fire-authority/corporate-governance/ or can be obtained from fireauthorityclerk@esfrs.org. This statement explains how the Authority has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

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

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

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

- the work of Members through the Fire Authority and its Panels, including Policy & Resources and Scrutiny & Audit;
- the work of senior officers and managers within East Sussex Fire & Rescue Service, who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Monitoring Officer and the Treasurer;
- the risk management arrangements, including the maintenance and regular review of corporate risks by the Corporate Management Team and Scrutiny & Audit Panel;
- the work of the internal audit service including their individual reports, and overall annual report and opinion;
- the external auditors in their annual audit letter and annual governance report;
- the judgements of external inspection and statutory bodies and the Operational Assurance Peer Review.

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

As part of our review we have not identified any gaps in assurance over key risks or significant governance issues. The Authority has, however, identified a range of improvements to its corporate Health & Safety arrangements and specifically at its Service Training Centre, as a result of an accident investigation and Peer Review. Action Plans are in place to address the necessary improvements and these will be monitored during the year.

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

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

- *Develop a new Corporate Strategy and Integrated Risk Management Plan (DCFO)*
- *Rationalise and align our suite of corporate strategies in line with the new Corporate Strategy and IRMP (DCFO)*
- *Improve our performance monitoring against our annual plan and revise our approach to monitoring key performance indicators (AD – P&I)*
- *Put in place arrangements to meet the requirements of the Police & Crime Bill (CFO)*
- *Ensure that the Authority is effectively engaged in local devolution proposals (DCFO)*
- *Improve our approach to Health and Safety in line with the Peer review and implement the Accident Investigation Action Plan for Service Training Centre (AD – T&A)*
- *Ensure that the new Senior Management Structure operates effectively (CFO)*
- *Review the delivery of the Equality and Diversity Strategy (AD – HR)*
- *Publish the new Code of Conduct for Employees (AD – HR)*
- *Deliver the remaining areas of improvement against the Transparency Code (AD – R/T)*

Carolyn Lambert

Councillor Carolyn Lambert, Chair, Scrutiny & Audit Panel

GWalsh.

Gary Walsh, Chief Fire Officer
26 May 2016

Movement in Reserves Statement

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

2014/15	**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 2014 carried forward	**3,753**	**2,639**	**7,441**	**-**	**13,833**	**(297,398)**	**(283,565)**
Movement in Reserves during 2014/15							
Surplus or (deficit) on provision of services	(12,306)	-	-	-	(12,306)	-	(12,306)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(48,959)	(48,959)
Total Comprehensive Income and Expenditure	**(12,306)**	**-**	**-**	**-**	**(12,306)**	**(48,959)**	**(61,265)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	13,674	1,722	-	123	15,519	(15,519)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,368**	**1,722**	**-**	**123**	**3,213**	**(64,478)**	**(61,265)**
Transfers to/(from) Earmarked Reserves (Note 8)	(1,368)	-	1,368	-	-	-	-
Increase/(Decrease) in Year	**-**	**1,722**	**1,368**	**123**	**3,213**	**(64,478)**	**(61,265)**
Balance at 31 March 2015	**3,753**	**4,361**	**8,809**	**123**	**17,046**	**(361,876)**	**(344,830)**

Movement in Reserves Statement

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

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.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,315	(145)	2,170	Community Fire Safety	2,285	(73)	2,212
37,640	(2,174)	35,466	Fire Fighting and Rescue Operations	37,070	(1,899)	35,171
			Central services:			
690	-	690	Corporate and Democratic Core	681	-	681
154	-	154	Non Distributed Costs (Note 5)	216	-	216
40,799	**(2,319)**	**38,480**	**Cost of Services**	**40,252**	**(1,972)**	**38,280**
		(300)	Other operating expenditure (Note 9)			(375)
		14,694	Financing and investment income and expenditure (Note 10)			13,021
		(40,568)	Taxation and non-specific grant income (Note 11)			(39,069)
		12,306	**Deficit on Provision of Services**			**11,857**
		(2,301)	Surplus on revaluation of Property, Plant and Equipment assets (Note 21)			(4,793)
		51,260	Actuarial (gains) / losses on pension liabilities (Note 36)			(66,543)
		48,959	**Other Comprehensive Income and Expenditure**			**(71,336)**
		61,265	**Total Comprehensive Income and Expenditure**			**(59,479)**

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 2015 £000		Notes	31 March 2016 £000
44,947	Property, Plant & Equipment	12	49,286
44,947	**Long Term Assets**		**49,286**
15,007	Short Term Investments	13	17,011
1,655	Assets Held for Sale	17	-
690	Payments in Advance	15	1,372
42	Inventories	14	45
3,394	Short Term Debtors	15	2,813
3,254	Cash and Cash Equivalents	16	3,371
24,042	**Current Assets**		**24,612**
(4,206)	Short Term Creditors	18	(4,048)
(150)	Short Term Borrowing	13	-
(85)	Provisions	19	(138)
(4,441)	**Current Liabilities**		**(4,186)**
(397,770)	Liabilities related to defined benefit pension schemes	36	(343,598)
(10,973)	Long Term Borrowing	13	(10,973)
(635)	Provisions	19	(492)
(409,378)	**Long Term Liabilities**		**(355,063)**
(344,830)	**Net Assets**		**(285,351)**
17,046	Usable Reserves	20	19,570
(361,876)	Unusable Reserves	21	(304,921)
(344,830)	**Total Reserves**		**(285,351)**

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 2016 and its Comprehensive Income and Expenditure Statement for the year then ended. These financial statements replace the unaudited financial statements authorised for issue on the 27 June 2016.

Duncan Savage

Duncan Savage
Treasurer, 27 June 2016

The statement was approved by the Scrutiny and Audit Panel on 15 September 2016.

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.

2014/15		**2015/16**
£000		**£000**
12,306	Net Deficit on the provision of services	11,857
(18,482)	Adjustments to net deficit on the provision of services for non-cash movements (Note 22)	(17,185)
3,481	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	3,729
(2,695)	Net cash flows from Operating Activities	(1,599)
3,065	Investing Activities (Note 23)	1,414
9	Financing Activities (Note 24)	68
379	**Net (increase) or decrease in cash and cash equivalents**	**(117)**
3,633	Cash and cash equivalents at the beginning of the reporting period	3,254
3,254	**Cash and cash equivalents at the end of the reporting period (Note 16)**	**3,371**

Notes to the Accounting Statements

Authorisation of Statement of Accounts & Prior Period Adjustments

Authorisation of Statement of Accounts – These accounts were authorised for issue by Duncan Savage, Treasurer, and the Statement of Accounts (approved on 15 September 2016) 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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS), statutory guidance issued under section 12 of the 2003 Act, and Accounts and Audit (England) Regulations 2015. The accounting convention adopted for the Authority's Accounting Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

ii. Accruals of Income and Expenditure

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

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

iii. *Debtors and Creditors*

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

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

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

iv. Cash and Cash Equivalents

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

The Authority defines cash equivalents as any investment that could be recalled the same day without penalty and include call accounts, money market funds and instant deposits. However the Authority uses these products for both short term cash flow requirements and investment gain purposes. For short term cash flow requirements only, the Authority will determine an appropriate account as its cash equivalent. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

v. Exceptional Items

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

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

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

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

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

vii. Charges to Revenue and Non-Current Assets

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

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

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

viii. Employee Benefits

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

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Firefighters' Pensions Scheme

Details of the Firefighters' Pension Scheme can be found on page 65.

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 2015, the actuary assumed a discount rate of 3.2% 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 2016, the actuary has advised that a rate of 3.5% nominal is appropriate.

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

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

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

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

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

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

ix. Events After the Balance Sheet Date

The accounts have taken into consideration any material event after the Balance Sheet date, which are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period for which the Authority shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- Those that are indicative of conditions that arose after the at the end of the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

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

xi. Government Grant and Contributions

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

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

Government grants and third party contributions and donations to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied or there is reasonable assurance that they will be met. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii. Inventories and Long Term Contracts

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

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

xiii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Authority as Lessee

Finance Leases – Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Authority as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases – Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xv. Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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 deprecation are calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

xvi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

xvii. Reserves

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

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

xviii. Revenue Expenditure Funded from Capital under Statute

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

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

xix. Value Added Tax (VAT)

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

xx. Interest Charges

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

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

xxi. Redemption of Debt

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

xxii. Council Tax and Business Rates

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Authority is also required to recognise its share of arrears, bad debt allowances, overpayments, prepayments, cash and business rates appeal provision in its Balance Sheet.

xxiii. Heritage Assets

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

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

xxiv. Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the Authority external Valuers takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2016. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

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

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

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. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 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 2016 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
Useful lives of property, plant and equipment assets 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. However It is possible that future results	It is estimated that the annual depreciation charge would increase by £296,000 for every 1 year that useful lives had to be reduced. This amount is not considered to be	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

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.	material in relation to the recorded expenses and non current assets totals in the Statement of Accounts.	commercial obsolescence and legal or other limits on the use of the relevant assets. The estimation of the useful lives of property, plant, and equipment are based on external technical evaluation and experience with similar assets. Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards.
Impairment/revaluation loss of property, plant and equipment assets 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. 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. 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.	Indexation was applied in 2015/16 as the amount calculated was materially different to the carrying value. The net revaluation gain of the assets indexed was £2m. It is estimated that the revaluation losses would decrease by £28,000 for every 1% increase in the valuations carried out during 2015/16 under the three year rolling programme. This amount is not considered to be material in relation to the recorded expenses and non current assets totals in the Statement of Accounts.	Assets are assessed annually for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards. Impairments are reversed if the conditions for impairment are no longer present.
Pension Liability The Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. 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. 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.	It is estimated that: A £35,439,000 increase in the pension liability would result if the real discount rate was to be decreased by 0.5%. A £11,216,000 increase in the pension liability would result if member life expectancy was increased by 1 year. A £5,426,000 increase in the pension liability would result if the salary increase rate was increased by 0.5%. A £29,493,000 increase in the pension liability would result if the pension increase rate was increased by 0.5%.	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. The assumptions are set based on advice from the schemes actuaries and experience. The key assumptions used are set out in Note 36. The actuarial methods and advice provided on assumptions used are carried out in accordance with the Pensions Technical Actuarial Standards.

5. Material items of income and expense

The Comprehensive Income and Expenditure Statement includes a loss of £0.216m (£0.154m in 2014/15) under Non Distributed Costs for past service costs in relation to the Local Government and Firefighters' pension schemes.

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

6. Events after the Balance Sheet date

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating. The Treasury Strategy, as outlined in note 38, means the £21.66m surplus and net assets are well protected against currency fluctuations in the short to medium term and we have limited short-term debt maturities. There is likely to be an impact on our property valuations if confidence in the wider UK property market falls; and the valuation of £377.85m defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

The Statement of Accounts was authorised for issue by the Treasurer on 15 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between accounting basis and funding basis under regulations

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

2015/16	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,931	-	-	(1,931)
Revaluation losses on Property Plant and Equipment	581	-	-	(581)
Capital grants and contributions applied	(565)	-	-	565
Revenue expenditure funded from capital under statute	(25)	-	-	25
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,790	-	-	(2,790)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(445)	-	-	445
Capital expenditure charged against the General Fund	(1,097)	-	-	1,097
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(123)	123
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,164)	3,164	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,087)	-	1,087
Adjustments primarily involving the Pensions Reserve:				

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 36)	22,819	-	-	(22,819)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,448)	-	-	10,448
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	(45)	-	-	45
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	122	-	-	(122)
Adjustment primarily involving the Accumulated Absences Account:				
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	(27)	-	-	27
Total Adjustments	**12,427**	**2,077**	**(123)**	**(14,381)**

2014/15	**Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,984	-	-	(1,984)
Revaluation losses on Property Plant and Equipment	667	-	-	(667)
Capital grants and contributions applied	(1,636)	-	-	1,636
Revenue expenditure funded from capital under statute	94	-	-	(94)
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	1,422	-	-	(1,422)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				

Statutory provision for the financing of capital investment	(445)	-	-	445
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(123)	-	123	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,722)	1,722	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 36)	22,753	-	-	(22,753)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,305)	-	-	9,305
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	(65)	-	-	65
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	36	-	-	(36)
Adjustment primarily involving the Accumulated Absences Account:				
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	14	-	-	(14)
Total Adjustments	**13,674**	**1,722**	**123**	**(15,519)**

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 2015/16.

	Balance at 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	**3,443**	-	1,186	**4,629**	(998)	1,000	**4,631**
Other Earmarked	**3,998**	(1,656)	1,838	**4,180**	(674)	1,853	**5,359**
Total	**7,441**	**(1,656)**	**3,024**	**8,809**	**(1,672)**	**2,853**	**9,990**

Capital Programme	To provide resources which may be used for capital spending in order to reduce the need for and consequent revenue cost of borrowing.
Other Earmarked	Includes Improvement & Efficiency, IMD Transformation, Breathing Apparatus, Budget Carry Forward, Insurance Fund, Sprinklers, Community Fire Safety, Safer Business Training and Mapping Solution.

9. Other Operating Expenditure

	31 March 2015	31 March 2016
	£000	£000
Gains on the disposal of non-current assets	(300)	(375)
Total	(300)	(375)

10. Financing and Investment Income and Expenditure

	31 March 2015	31 March 2016
	£000	£000
Interest payable and similar charges	514	510
Pensions interest cost and expected return on pensions assets	14,280	12,640
Interest receivable and similar income	(100)	(129)
Total	**14,694**	**13,021**

11. Taxation and Non Specific Grant Income

	31 March 2015	31 March 2016
	£000	£000
Council tax income	22,642	23,550
Non domestic rates	6,886	7,149
Revenue support grant	9,051	7,514
Other revenue grants	230	291
Capital grants and contributions	1,759	565
Total	**40,568**	**39,069**

12. Property, Plant, and Equipment

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

Comparative Movements in 2014/15:	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 2014	**39,636**	**16,597**	**-**	**-**	**56,233**
Additions	58	984	-	946	**1,988**
Revaluation increases recognised in the Revaluation Reserve	1,079	-	-	-	**1,079**
Revaluation decreases recognised in the Revaluation Reserve	(270)	-	-	-	**(270)**
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	718	-	-	-	**718**
Revaluation decreases recognised in the deficit on the Provision of Services	(1,777)	-	-	-	**(1,777)**
Transfers to AHFS	(1,547)	-	-	-	**(1,547)**
Derecognition – disposals	(1,467)	(369)	-	-	**(1,836)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	**-**
At 31 March 2015	**36,430**	**17,212**	**-**	**946**	**54,588**
Accumulated Depreciation and Impairment					
At 1 April 2014	**(1,582)**	**(8,264)**	**-**	**-**	**(9,846)**
Depreciation charge	(787)	(1,176)	-	-	**(1,963)**
Depreciation written out to the Revaluation Reserve	1,347	-	-	-	**1,347**
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	377	-	-	-	**377**
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	-	-	-	-	**-**
Assets reclassified (to)/from Held for Sale	-	-	-	-	**-**
Transfers to AHFS	30	-	-	-	**30**
Derecognition – disposals	45	369	-	-	**414**
At 31 March 2015	**(570)**	**(9,071)**	**-**	**-**	**(9,641)**
Net Book Value					
At 31 March 2015	**35,860**	**8,141**	**-**	**946**	**44,947**
At 31 March 2014	**38,054**	**8,333**	**-**	**-**	**46,387**

The Authority had no Intangible, Infrastructure, Heritage or Community Assets at 31 March 2016.

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

Capital Commitments

Over the five year period, 2016/17 to 2020/21, the Authority is planning gross capital expenditure of £17.061m (based on the agreed Capital Asset Strategy and subsequently agreed variations). This is planned to be funded using government grants (£0.607m), partner contributions (£0.575m), capital receipts (£10.238m), reserves (£1.284m) and planned revenue contributions (£2.165m) with the balance of £2.192m being internal borrowing.

The approved capital programme shows that in 2016/17 the Authority plans to spend £4.977m (adjusted for actual spend in 2015/16), funded by government grant (£0.607m), partner contributions (£0.011m), capital receipts (£2.264m), reserves (£1.161m), planned revenue contributions (£0.495m) and internal borrowing (£0.439m). Having adjusted for the actual outturn in 2015/16, slippage on projects and for provisions where there is no contractual commitment, the net commitment profiles for schemes in progress at 31 March 2016 are shown below:

2016/17	2017/18	2018/19	2019/20	2020/21	Total (£m)
0.904	0.0	0.0	0.0	0.0	0.904

The Fire Authority had two assets under construction for £0.417m as at 31 March 2016 (one for £0.946m at 31 March 2015).

Valuation of Property, Plant and Equipment (PPE)

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

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

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

The following statement shows the progress of the Authority’s rolling programme for the revaluation of land and buildings. The valuations are carried out by an external firm of valuers – Stiles, Harold, Williams (a member of Chartered Surveyors and Town Planners), on behalf of the Authority. The valuation dates are the gross cost as at 31 March in each year. In addition, an annual indexation will be applied to the remaining portfolio (based on those assets that were valued by the valuer in the year) if the values are deemed to be materially different to their carrying value. The indexation was applied in 2015/16.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total PPE
	£000	£000	£000	£000
Valued at historical cost	-	14,308	-	14,308
Valued at fair value at 31 March 2016	41,396	62	400	41,858
Valued at fair value at 31 March 2015	-	-	-	-
Valued at fair value at 31 March 2014	-	-	-	-
Total	**41,396**	**14,370**	**400**	**56,166**

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

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

As at 31 March 2016 there was one property classed as surplus, and none in the previous year. The fair value hierarchy of surplus assets at 31 March 2016 is as follows:

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

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

13. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
Financial Assets	**31 March 2015**	**31 March 2016**	**31 March 2015**	**31 March 2016**
	£000	**£000**	**£000**	**£000**
Investments				
Loans and receivables (principal amount)	-	-	15,000	17,000
Accrued interest	-	-	7	11
Loans and receivables at amortised cost (1)	**-**	**-**	**15,007**	**17,011**
Financial assets at fair value through profit and loss (2)	-	-	-	-
Total investments	**-**	**-**	**15,007**	**17,011**
Cash and cash equivalents	-	-	**3,254**	**3,371**
Debtors				
Loans and receivables	-	-	1,827	1,278
Total debtors	**-**	**-**	**1,827**	**1,278**
Financial Liabilities				
Borrowings				
Financial liabilities (principal amount)	(10,973)	(10,973)	(150)	-
Accrued Interest	-	-	-	-
Financial liabilities at amortised cost (1)	**(10,973)**	**(10,973)**	**(150)**	**-**
Financial liabilities at fair value through profit and loss (2)	-	-	-	-
Total borrowings	**(10,973)**	**(10,973)**	**(150)**	**-**
Other Long Term Liabilities				
PFI and finance lease liabilities	-	-	-	-
Total other long term liabilities	**-**	**-**	**-**	**-**
Creditors				
Financial liabilities at amortised cost	-	-	(2,797)	(2,527)
Total creditors	**-**	**-**	**(2,797)**	**(2,527)**

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

Note 2 – Fair value has been measured by:

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

Valuation Assumptions

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

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

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

Income, Expense, Gains and Losses

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

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

2014/15	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Total**
	£000	**£000**	**£000**
Interest expense	(514)	-	**(514)**
Total expense in Deficit on the Provision of Services	**(514)**	-	**(514)**
Interest income	-	100	**100**
Total income in Deficit on the Provision of Services	-	**100**	**100**
Net gain/(loss) for the year	**(514)**	**100**	**(414)**

Fair Values of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial liabilities				
PWLB Debt	(10,973)	(15,420)	(10,973)	(15,471)
Non-PWLB Debt	-	-	-	-
Total Debt	**(10,973)**	**(15,420)**	**(10,973)**	**(15,471)**
Short term borrowing	(150)	(150)	-	-
Short term creditors	(2,797)	(2,797)	(2,527)	(2,527)
Total Financial Liabilities	**(13,920)**	**(18,367)**	**(13,500)**	**(17,998)**
Financial assets				
Short term investments	15,007	15,007	17,011	17,011
Cash and cash equivalents	3,254	3,254	3,371	3,371
Short term debtors	1,827	1,827	1,278	1,278
Total Financial Assets	**20,088**	**20,088**	**21,660**	**21,660**

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

	31 March 2016			
	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable Inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Financial liabilities				
PWLB Debt	-	(15,471)	-	**(15,471)**
Short Term Borrowing	-	-	-	**-**
Current Creditors	-	(2,527)	-	**(2,527)**
Total	**-**	**(17,998)**	**-**	**(17,998)**
Financial assets				
Short Term Deposits	-	17,011	-	**17,011**
Cash and Cash Equivalents	-	3,371	-	**3,371**
Current Debtors	-	1,278	-	**1,278**
Total	**-**	**21,660**	**-**	**21,660**

	31 March 2015			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial liabilities				
PWLB Debt	-	(15,420)	-	**(15,420)**
Short Term Borrowing	-	(150)	-	**(150)**
Current Creditors	-	(2,797)	-	**(2,797)**
Total	**-**	**(18,367)**	**-**	**(18,367)**
Financial assets				
Short Term Deposits	-	15,007	-	**15,007**
Cash and Cash Equivalents	-	3,254	-	**3,254**
Current Debtors	-	1,827	-	**1,827**
Total	**-**	**20,088**	**-**	**20,088**

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

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

Financial Liabilities

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

Financial Assets

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

14. Inventories

	31 March 2015	31 March 2016
	£000	£000
Balance outstanding at start of year	**43**	**42**
Purchases	180	145
Recognised as an expense in the year	(181)	(142)
Balance outstanding at year-end	**42**	**45**

Stocks include diesel fuel and equipment.

15. Current and Long Term Debtors

	31 March 2015	31 March 2016
	£000	**£000**
Current Debtors		
Central government bodies	289	236
Other local authorities	3,079	2,537
NHS bodies	-	3
Other entities and individuals	26	37
Total	**3,394**	**2,813**

There were no long term debtors as at 31 March 2016 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 2016 the assessment of receivables did not necessitate the creation of a bad debt provision for general debtors.

However the Council Tax and NNDR arrears impairment allowance was decreased by £0.053m to £1.055m (from £1.108m in 2014/15).

Payments in advance increased by £0.682m to £1.372m in 2015/16 (from £0.690m in 2014/15) mainly due to the payment of a number of insurances relating to 2016/17.

16. Cash and Cash Equivalents

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

	31 March 2015 £000	31 March 2016 £000	Movement £000
Cash in hand	50	50	-
Bank current accounts	3,244	3,544	300
Cash overdrawn	(40)	(223)	(183)
Total Cash and Cash Equivalents	**3,254**	**3,371**	**117**

17. Assets held for Sale

	2014/15	2015/16
	£000	**£000**
Balance outstanding at start of year	**-**	**1,655**
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,547	-
Revaluations	128	-
Accumulated Depreciation	(20)	-
Assets declassified as held of sale:		
Assets sold	-	(1,655)
Balance outstanding at year end	**1,655**	**-**

18. Creditors

	31 March 2015 £000	31 March 2016 £000
Central government bodies	628	652
Other local authorities	1,290	1,210
Public corporations and trading funds	1	-
Other entities and individuals	2,287	2,186
Total	**4,206**	**4,048**

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 £0.138m as at 31 March 2016 which relates to NNDR appeals (£0.085m at 31 March 2015). There was also a long term provision for £0.492m for outstanding payments as a result of the Norman v Cheshire case in relation to pensionable allowances (£0.635m as at 31 March 2015).

20. Usable Reserves

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

	31 March 2015	31 March 2016
	£000	£000
Usable Capital Receipts Reserve	4,361	6,438
Capital Grants & Contributions Unapplied	123	-
Earmarked Reserves	8,809	9,990
General Fund balances	3,753	3,142
Total Usable Reserves	**17,046**	**19,570**

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.

	2014/15	2015/16
	£000	£000
Balance at 1 April	**2,639**	**4,361**
Amounts receivable during the year	1,722	3,164
Amounts applied to finance new capital investment	-	(1,087)
Net Transfer to the Capital Receipts Reserve	1,722	2,077
Balance at 31 March	**4,361**	**6,438**

21. Unusable Reserves

	31 March 2015	31 March 2016
	£000	£000
Revaluation Reserve	9,471	13,294
Capital Adjustment Account	26,008	25,019
Collection Fund Adjustment Account	535	458
Accumulated Absences Account	(120)	(94)
Pensions Reserve	(397,770)	(343,598)
Total Unusable Reserves	**(361,876)**	**(304,921)**

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.

	2014/15		2015/16	
	£000	£000	£000	£000
Balance at 1 April		**7,819**		**9,471**
Upward revaluation of assets	3,304		6,960	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(270)		(257)	
Reversal of previous years revaluation losses	(733)		(1,910)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		2,301		4,793
Difference between fair value depreciation and historical cost depreciation	(143)		(130)	
Accumulated gains on assets sold or scrapped	(506)		(840)	
Amount written off to the Capital Adjustment Account		(649)		(970)
Balance at 31 March		**9,471**		**13,294**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant, and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2014/15	2015/16	
	£000	£000	£000
Balance at 1 April	**27,445**		**26,008**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(1,984)	(1,931)	
Revaluation losses on Property, Plant and Equipment	(1,399)	(2,491)	
Revaluation loss reversals on Property, Plant and Equipment	733	1,911	
Amortisation of intangible assets	-	-	
Revenue expenditure funded from capital under statute	(94)	25	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,422)	(2,790)	
	(4,166)	**(5,276)**	
Adjusting amounts written out of the Revaluation Reserve	648	970	
Net written out amount of the cost of non-current assets consumed in the year	**(3,518)**		**(4,306)**
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,087	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,636	565	
Application of grants to capital financing from the Capital Grants Unapplied Account	-	123	
Statutory provision for the financing of capital investment charged against the General Fund	445	445	
Capital expenditure charged against the General Fund	-	1,097	
	2,081		**3,317**
Balance at 31 March	**26,008**		**25,019**

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.

	2014/15	2015/16
	£000	**£000**
Balance at 1 April	**(333,062)**	**(397,770)**
Actuarial losses on pensions assets and liabilities	(51,260)	66,543
Reversal of items relating to retirement benefits credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(22,753)	(22,819)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,305	10,448
Balance at 31 March	**(397,770)**	**(343,598)**

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.

	2014/15	2015/16
	£000	**£000**
Balance at 1 April	**506**	**535**
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	65	45
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	(36)	(122)
Balance at 31 March	**535**	**458**

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.

	2014/15 £000	2015/16 £000
Balance at 1 April	**(106)**	**(120)**
Settlement or cancellation of accrual made at the end of the preceding year	106	120
Amounts accrued at the end of the current year	(120)	(94)
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	(14)	26
Balance at 31 March	**(120)**	**(94)**

22. Cash Flow Statement - Operating Activities

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

	2014/15 £000	2015/16 £000
Depreciation	(1,984)	(1,931)
Impairment and downward valuations	(666)	(580)
(Increase) / decrease in creditors	282	(193)
Decrease in interest creditors	5	-
Increase / (decrease) in debtors	(644)	583
Increase in interest and debtors	2	4
Increase / (decrease) in stock	(1)	3
Pension Liability	(13,448)	(12,371)
Contributions to / (from) provisions	(605)	90
Carrying amount of PPE sold	(1,423)	(2,790)
Total Adjustment	**(18,482)**	**(17,185)**

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

	2014/15 £000	2015/16 £000
Capital Grants and Contributions credited to deficit on provision of services	1,759	565
Proceeds from the Sale of PPE	1,722	3,164
Total Adjustment	**3,481**	**3,729**

The cash flows for operating activities include the following items:

	2014/15 £000	2015/16 £000
Interest received	(98)	(125)
Interest paid	504	509

23. Cash Flow Statement – Investing Activities

	2014/15	2015/16
	£000	£000
Purchase of property, plant and equipment	2,513	3,579
Purchase of short-term and long-term investments	3,840	2,000
Proceeds from the sale of property, plant and equipment	(1,722)	(3,164)
Other receipts from investing activities	(1,566)	(1,001)
Net cash flows from investing activities	**3,065**	**1,414**

24. Cash Flow Statement – Financing Activities

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

	2014/15	2015/16
	£000	£000
Repayment of Short-Term and Long-Term Borrowing	-	150
Appropriation to/from Collection Fund Adjustment Account	9	(82)
Net cash flows from financing activities	**9**	**68**

25. Amounts reported for resource allocation decisions

East Sussex Fire Authority departments and responsibilities –

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

East Sussex Fire and Rescue Service is managed by its board or Corporate Management Team (CMT) comprising four Principal Officers, two directors and the Treasurer (to 7 March 2016). The role of the Chief Fire Officer is to deliver the strategic aims and objectives on behalf of the Fire Authority and is supported by CMT who deliver services to local communities, and the necessary support functions, through the following directorates: Service Delivery, Service Support, Corporate Services and People and Organisational Development. 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. During 2015/16 the Authority has consulted on and implemented a new senior management structure which came into effect from 7 March 2016 and as a result CMT now comprises three Principal Officers and six assistant directors. However for financial and budget purposes the Authority continued to manage and monitor against its existing management structure to 31 March 2016.

The four East Sussex Fire Authority directorates and their main responsibilities were.

- Service Delivery - operational response and resilience, new dimensions, community and legislative fire safety, and emergency planning
- Support Services - Health, Safety and Welfare, Engineering Services, Estates Management, Information Management;
- Corporate Services - Performance, Democratic Services, Finance and Procurement, Corporate Management, net costs of financing and transfers to/from balances.
- People and Organisational Development - Human Resources and Learning & organisational Development.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the CMT and the Fire Authority on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

2015/16 Department Income and Expenditure	Corporate Services	Service Support	Service Delivery	People Organisation Development	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(233)	(234)	(1,296)	(142)	(1,905)
Government grants	13	(160)	(48)	-	(195)
Total Income	**(220)**	**(394)**	**(1,344)**	**(142)**	**(2,100)**
Employee expenses	1,987	1,546	23,477	1,788	28,798
Other service expenses	4,429	4,981	1,835	549	11,794
Total Expenditure	**6,416**	**6,527**	**25,312**	**2,337**	**40,592**
Net Expenditure	**6,196**	**6,133**	**23,968**	**2,195**	**38,492**

2014/15 Department Income and Expenditure	Corporate Services	Service Support	Service Delivery	People Organisation Development	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(150)	(379)	(1,552)	(96)	(2,177)
Government grants	(19)	(174)	(48)	-	(241)
Total Income	**(169)**	**(553)**	**(1,600)**	**(96)**	**(2,418)**
Employee expenses	1,697	1,625	24,493	2,187	30,002
Other service expenses	3,314	5,039	1,633	540	10,526
Total Expenditure	**5,011**	**6,664**	**26,126**	**2,727**	**40,528**
Net Expenditure	**4,842**	**6,111**	**24,526**	**2,631**	**38,110**

Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of department income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15	2015/16
	£000	£000
Net expenditure in the Department Analysis	**38,110**	**38,492**
Net expenditure of services and support services not included in the Analysis		
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**1,927**	**2,193**
Amounts included in the Analysis not included in the Cost of Services in the Comprehensive Income and Expenditure Statement	**(1,557)**	**(2,405)**
Cost of Services in Comprehensive Income and Expenditure Statement	**38,480**	**38,280**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of department income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Department Analysis	Amounts not reported to management for decision making	Amounts not included in Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(1,776)	-	-	-	**(1,776)**
Interest & investment income	(129)	-	129	(129)	**(129)**
Income from council tax	-	-	-	(23,550)	**(23,550)**
Income from business rates	-	-	-	(7,149)	**(7,149)**
Revenue Support Grant and other Grants	-	-	-	(7,805)	**(7,805)**
Government grants & contributions	(195)	-	-	(565)	**(760)**
Total Income	**(2,100)**	**-**	**129**	**(39,198)**	**(41,169)**
Employee expenses	28,798	(26)	-	-	**28,772**
Other service expenses	11,284	(294)	(2,024)	-	**8,966**
Support Service recharges	-	-	-	-	**-**
Depreciation, amortisation & impairment	-	2,513	-	-	**2,513**
Pensions interest cost & net return on assets	-	-	-	12,640	**12,640**
Interest Payable & Similar Charges - Leases/PFI schemes	-	-	-	-	**-**
Interest Payments	510	-	(510)	510	**510**
Gain or Loss on Disposal of Property, Plant and Equipment	-	-	-	(375)	**(375)**
Total expenditure	**40,592**	**2,193**	**(2,534)**	**12,775**	**53,026**
Deficit on the provision of services	**38,492**	**2,193**	**(2,405)**	**(26,423)**	**11,857**

2014/15	Department Analysis	Amounts not reported to management for decision making	Amounts not included in Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,177)	-	-	-	**(2,177)**
Interest & investment income	-	-	100	(100)	**-**
Income from council tax	-	-	-	(22,642)	**(22,642)**
Income from business rates	-	-	-	(6,886)	**(6,886)**
Revenue Support Grant and other Grants	-	-	-	(9,281)	**(9,281)**
Government grants & contributions	(241)	-	-	(1,759)	**(2,000)**
Total Income	**(2,418)**	**-**	**100**	**(40,668)**	**(42,986)**

Employee expenses	30,002	(8,989)	-	-	**21,013**
Other service expenses	10,012	8,265	(1,143)	-	**17,134**
Support Service recharges	-	-	-	-	**-**
Depreciation, amortisation & impairment	-	2,651	-	-	**2,651**
Pensions interest cost & net return on assets	-	-	-	14,280	**14,280**
Interest Payable & Similar Charges - Leases/PFI schemes	-	-	-	-	**-**
Interest Payments	514	-	(514)	514	**514**
Gain or Loss on Disposal of Property, Plant and Equipment	-	-	-	(300)	**(300)**
Total expenditure	**40,528**	**1,927**	**(1,657)**	**14,494**	**55,292**
Deficit on the provision of services	**38,110**	**1,927**	**(1,557)**	**(26,174)**	**12,306**

26. Trading Operations

The Authority has no trading operations at 31 March 2016 or in the previous year. The Authority set up East Sussex Safety Solutions Community Interest Company which is incorporated under the Companies Act 2006 as a Community Interest Company, which was dissolved on 19/01/16 without having undertaken any trading operations.

27. Members' Allowances

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

	2014/15 £000	2015/16 £000
Allowances	75	71
Expenses	4	2
Total	**79**	**73**

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

28. Officers' Remuneration

The following table provides information about the remuneration of those senior managers who influence the decisions of the Fire Authority as a whole (e.g. Senior Officers whose salary is more than £50,000 pa).

Senior Employees Remuneration

	Year	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Mr Des Prichard (Chief Fire Officer) (Notes 1,4)	2015/16	89,480	-	-	-	-	89,480
	2014/15	152,523	-	-	-	-	152,523
Deputy Chief Fire Officer (Notes 1,2)	2015/16	138,778	-	-	-	30,113	168,891
	2014/15	109,509	-	-	-	23,325	132,834
Assistant Chief Fire Officer (Notes 1,3)	2015/16	92,593	-	-	-	20,090	112,683
	2014/15	114,743	-	-	-	24,440	139,183
Assistant Chief Officer (Notes 1,5)	2015/16	96,587	-	-	-	19,703	116,290
	2014/15	95,630	-	-	-	17,463	113,093

Treasurer (Note 5)	2015/16	59,963	-	40	-	12,511	72,514
	2014/15	59,812	-	18	-	11,889	71,719
Interim Deputy Chief Fire Officer (Note 6)	2015/16	64,176	-	-	-	-	64,176
	2014/15	-	-	-	-	-	-

Notes:

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

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

Remuneration band	**2014/15 Number of employees**	**2015/16 Number of employees**
£50,000 to £54,999	12	15
£55,000 to £59,999	7	9
£60,000 to £64,999	7	2
£65,000 to £69,999	2	3
£70,000 to £74,999	1	1

29. Exit Packages

Reporting of the Authority and other compensation schemes - Exit Packages

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

2014/15	**Compulsory redundancies**		**Other departures agreed**		**Total number of exit packages**	
Exit package cost band	**Number of employees**	**£000**	**Number of employees**	**£000**	**Number of employees**	**£000**
less than £20,000	-	-	27	227	27	227
£20,000 to £39,999	-	-	10	294	10	294
£40,000 to £59,999	-	-	2	93	2	93
£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	-	-	39	614	39	614

30. External Audit Costs

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

	2014/15	2015/16
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	37	31
Total	**37**	**31**

31. Grant Income

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2015/16

	2014/15 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	6,886	7,149
Revenue Support Grant	9,051	7,514
Fire Capital Grant	1,759	-
Capital Grants & Contributions recognised	-	565
Other Revenue Grants	230	291
Total	**17,926**	**15,519**
Credited to Services		
New Dimensions	48	48
Firelink	174	147
Other grants	19	-
Total	**241**	**195**

The Authority has received no grants, contributions or donations that have yet to be recognised as income, where the conditions attached to them would require the monies or property to be returned to the giver.

32. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 31.

East Sussex County Council

East Sussex County Council provides financial services to the Authority. The arrangement has been in operation since 1997. The services provided include accounts payable, accounts receivable, payroll, pension administration, treasury management, accountancy and internal audit.

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.

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, Eastbourne, and is open to public inspection. The total of members' allowances paid in 2015/16 is shown in Note 27.

33. Capital Expenditure and Capital Financing

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

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	**11,123**	**11,123**
Capital Investment		
Property, Plant and Equipment	1,987	3,192
Investment Properties	-	-
Intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute	94	(25)
Sources of Finance		
Capital receipts	-	(1,087)
Government grants & other contributions	(1,636)	(688)
Sums set aside from revenue		
Direct Revenue contributions	-	(1,097)
Minimum Revenue Provisions	(445)	(445)
Closing Capital Financing Requirement	**11,123**	**10,973**

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

Explanation of movements in year	2014/15 £000	2015/16 £000
Decrease in underlying need to borrowing (unsupported by government financial assistance)	-	(150)
Decrease in Capital Financing Requirement	**-**	**(150)**

34. Leases

Authority as Lessee

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

Operating Leases - The Authority has lease cars for certain staff and paid £0.012m in 2015/16 (£0.017m 2014/15).

The future minimum lease payments payable in future years are:

	31 March 2015 £000	31 March 2016 £000
Not later than one year	10	5
Later than one year and not later than five years	2	7
Later than five years	-	-
Total	**12**	**12**

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 received £0.059m in 2015/16 (£0.072m 2014/15).

The future minimum lease payments receivable in future years are:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	29	28
Later than one year and not later than five years	-	55
Later than five years	-	95
Total	**29**	**178**

35. Impairment and Revaluation Losses

During 2015/16, revaluation losses recognised in the Cost of Services totalled £2.5m (£1.4m in 2014/15) due mainly to a valuation of the newly constructed fire station in Newhaven (Saxon House). The asset was previously recognised at construction cost but has now been valued at fair value using a depreciated replacement cost methodology and also the Authority only recognises its share of the building. The building is also occupied by Lewes District Council and Sussex Police.

36. Defined Benefits Pension Schemes

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

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

The Firefighters' Pension Schemes are administered nationally, and the Income and Expenditure Account contains actual contributions made to the schemes. Details of the East Sussex Firefighters Pension Fund can be found on pages 65 to 67. 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:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service Cost Comprising:				
· current service cost	1,219	1,563	7,100	8,400
· past service costs	154	16	-	200
· (gain) / loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	380	440	13,900	12,200
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**1,753**	**2,019**	**21,000**	**20,800**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
· Return on plan assets (excluding the amount included in the net interest expense)	(2,956)	541	-	-
· Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	(1,100)
· Actuarial gains and losses arising on changes in financial assumptions	7,222	(5,043)	46,400	(36,300)
· Other (if applicable)	(206)	(341)	800	(24,300)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**5,813**	**(2,824)**	**68,200**	**(40,900)**
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	(4,808)	3,872	(59,900)	50,300
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**1,005**	**1,048**	**8,300**	**9,400**

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:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of the define benefit obligations:					
Local Government Pension Scheme	(22,582)	(28,058)	(37,361)	(46,585)	(43,854)
Firefighters Pension Schemes	(250,600)	(291,200)	(324,400)	(384,300)	(334,000)
Fair value of assets in the Local Government Pension Scheme	**19,380**	**22,982**	**28,699**	**33,115**	**34,256**
Deficit in the scheme:					
Local Government Pension Scheme	(3,202)	(5,076)	(8,662)	(13,470)	(9,598)
Firefighters Pension Schemes	(250,600)	(291,200)	(324,400)	(384,300)	(334,000)
Total	**(253,802)**	**(296,276)**	**(333,062)**	**(397,770)**	**(343,598)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £377.9m (£430.9m in 2014/15) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £343.6m (£397.8m in 2014/15).

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2017 is £1.020m (£0.987m in 2014/15).

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 2016 is employee members £30.8m (£32.0m 31 March 2015), deferred pensioners £3.9m (£4.5m) and pensioners £9.1m (£10.1m). There is also a liability of approximately £0.027m (£0.029m) in respect of LGPS unfunded pensions. 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	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April:	**37,361**	**46,585**	**324,400**	**384,300**
Current Service Cost	1,219	1,563	7,100	8,400
Interest Cost	1,618	1,509	13,900	12,200
Contributions by scheme participants	337	348	1,900	1,900
Re-measurement (gains) and losses:				
· Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	(1,100)
· Actuarial gains/losses arising from changes in financial assumptions	7,222	(5,043)	46,400	(36,300)
· Other	(206)	(341)	800	(24,300)
Past Service Cost	154	16	-	200
Losses/(gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(1,118)	(781)	(9,900)	(10,500)
Liabilities extinguished on settlements	(2)	-	-	-
Unfunded Benefits paid	-	(2)	(300)	(300)
Other	-	-	-	(500)
Closing balance at 31 March:	**46,585**	**43,854**	**384,300**	**334,000**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening fair value of scheme asset at 1 April:	**28,699**	**33,115**	**-**	**-**
Interest Income	1,238	1,069	-	-
Re-measurement gain/(loss):			-	-
· The return on plan assets, excluding the amount included in the net interest expense	2,956	(541)	-	-
· Other	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,005	1,048	8,300	9,400
Contributions from employees into the scheme	337	348	1,900	1,900
Benefits paid	(1,120)	(783)	(10,200)	(10,800)
Other	-	-	-	(500)
Closing fair value of scheme assets at 31 March:	**33,115**	**34,256**	**-**	**-**

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 £0.5m (2014/15: £4.2m).

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2014/15 £000	%	Fair value of scheme assets 2015/16 £000	%
Cash and cash equivalents	**1,188**	**4**	**1,140**	**3**
Equity instruments:				
By industry type				
· Consumer	1,307	4	629	2
· Manufacturing	873	3	409	1
· Energy and utilities	874	3	90	-
· Financial institutions	1,902	6	1,012	3
· Health and care	1,333	4	434	1
· Information technology	1,420	4	521	2
· Other	4	-	173	1
Sub-total equity	**7,713**	**24**	**3,268**	**10**
Bonds:				
By sector				
· Government	526	2	623	2
· Other	339	1	638	2
Sub-total bonds	**865**	**3**	**1,261**	**4**
Private equity:				
All	1,830	5	2,046	6
Overseas				
Sub-total private equity	**1,830**	**5**	**2,046**	**6**
Other investment funds:				
· UK Property	3,416	10	4,057	12
· Overseas Property	-	-	-	-
Sub-total other investment funds	**3,416**	**10**	**4,057**	**12**
Investment funds and unit trusts:				
· Equities	15,046	45	17,757	51
· Bonds	2,157	7	3,977	12
· Hedge Funds	37	-	37	-
· Commodities	81	-	17	-
· Infrastructure	659	2	579	2
· Other	130	-	117	-
Sub-total Investment funds and unit trusts	**18,109**	**54**	**22,484**	**65**
Derivatives:				
· **Foreign exchange**	**-6.5**	-	-	-
Total assets	**33,115**	**100**	**34,256**	**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 2013 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		1992 Firefighters Pension Scheme	2006 New Firefighters Pension Scheme	Firefighters Pension Schemes
	2014/15	**2015/16**	**2014/15**	**2014/15**	**2015/16**
Mortality assumptions:					
Longevity for current pensioners:					
· Men	22.2	22.2	29.5	29.5	29.7
· Women	24.4	24.4	31.7	31.7	31.6
Longevity for future pensioners:					
· Men	24.2	24.4	31.1	31.1	31.2
· Women	26.7	26.7	33.2	33.2	33.2
Rate of inflation	2.40%	2.20%	3.30%	3.40%	3.20%
Rate of increase in salaries	4.30%	4.20%	3.40%	3.50%	3.20%
Rate of increase in pensions	2.40%	2.20%	2.40%	2.50%	2.20%

	Local Government Pension Scheme		1992 Firefighters Pension Scheme	2006 New Firefighters Pension Scheme	Firefighters Pension Schemes
	2014/15	**2015/16**	**2014/15**	**2014/15**	**2015/16**
Rate for discounting scheme liabilities	3.20%	3.50%	3.20%	3.30%	3.50%
Take-up of option to convert annual pension into retirement lump sum	50%/75%	50%/75%	90.00%	90.00%	90.00%

Average future life expectancies for the Local Government Pension Scheme is at age 65
Average future life expectancies for the Firefighters Pension Scheme is at age 60
Take-up option for LGPS is 50% for pre-April 2008 service and 75% for post-April 2008 service

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

Change in assumptions at 31 March 2016:	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate increase to Employer	Approximate monetary amount
	%	**£000**
Local Government Pension Scheme		
0.5% decrease in Real Discount Rate	12%	5,439
1 year increase in member life expectancy	3%	1,316
0.5% increase in the Salary Increase Rate	4%	1,926
0.5% increase in the Pension Increase Rate	8%	3,393
Firefighters Pension Schemes		
0.1% decrease in Real Discount Rate	9%	30,000
1 year increase in member life expectancy	2%	9,900
0.5% increase in the Salary Increase Rate	1%	3,500
0.5% increase in the Pension Increase Rate	8%	26,100

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 2013 the actuary reported a funding level of 85%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2016.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £343.6m (£9.6m Local Government Pension Scheme and £334.0m 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 2016/17 the Authority anticipates paying £1.157m contributions to the Local Government Pension scheme, £0.043m towards the 1992 Firefighters Pension scheme, £0.008m towards the 2006 Firefighters Pension scheme and £2.560m towards the 2015 Firefighters Pension scheme.

The weighted average duration of the defined benefit obligation for Local Government Pension scheme members is 20.9 years and the Firefighters Pension Scheme is 17.3 years (20.5 years for injury pensions).

37. Contingent Liabilities

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

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

38. Nature and extent of risks arising from Financial Instruments

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Authority on 12th February 2015 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £13.83 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £11.44 million. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable rate interest rate exposure were set at 100% based on the Authority's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown under the Refinancing and Maturity Risk section of this note.

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

Credit risk

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

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

Whilst the recent credit crisis in international markets has raised the overall possibility of default, the Authority maintains strict credit criteria for investment counterparties. The credit criteria in respect of financial assets held by the authority at 31 March 2016 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 addtion to other tools uses the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

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

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £4.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

No breaches of the Authority's counterparty criteria occurred during the reporting period. In October 2008, the Icelandic banking sector defaulted on its obligations but the Authority had no funds invested in this sector. All the Authority's deposits are made through the London Money Markets. As at 31 March 2016, the Authority's investments included £11.0m with UK banks, with no investments in non-UK banks. The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for its customers, however £0.297m in 2015/16 (£0.053m 2014/15) is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015	31 March 2016
	£000	£000
Less than three months	50	295
Three to five months	-	1
Five months to one year	1	-
More than one year	2	1
Total	**53**	**297**

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

Liquidity risk –

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

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

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

	2014/15	2015/16
	£000	£000
Less than one year (current assets)	20,035	21,363
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	20,035	**21,363**

Refinancing and Maturity Risk –

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

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

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

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

	Approved Minimum Limit	Approved Maximum Limit	2014/15	2015/16
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	2,943	2,527
Between one and two years	0%	40%	-	200
Between two and five years	0%	60%	200	75
Between five and ten years	0%	80%	1,758	2,203
More than ten years	0%	80%	9,015	8,495
			13,916	**13,500**

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 2015/16 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	77
Impact on Surplus or Deficit on the Provision of Services	**77**

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.077 million (£0.072 million at 31 March 2015) represents the immediate impact on the Authority's investments that are on variable rate, but ignores the impact of overnight and short-term fixed rate investments. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

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

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

39. Heritage Assets

The Authority holds a number of items such as cap badges, brass helmets and various trophies and memorabilia, none of which are material so have not been included in the assets of the Authority. The Authority had no other heritage assets at 31 March 2016 or in the previous year.

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, 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. The pension top-up grant accordingly under-advanced by the Government is required to be paid to the Fire Authority after the year end accounts are finalised.

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

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

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

The 2015/16 Accounts include an amount of additional Top up grant received and additional pensions paid totalling £0.933m in respect of the recalculated lump sum payments made as a result of the Milne v Government Actuaries Department (GAD) determination.

Firefighters' Pension Fund Accounts

Fund Account

2014/15 £000			2015/16 £000
	Contributions Receivable:		
(2,651)	Contributions in relation to pensionable pay	(2,475)	
(3,577)	Top up grant received	(4,640)	
(180)	Ill Health charges	(122)	
(1,945)	Firefighters contribution	(2,040)	
(8,353)			(9,277)
(28)	Transfers in from other authorities		(40)
	Benefits Payable:		
7,948	Pensions	9,310	
2,550	Commutations and Lump Sum retirement Benefits	1,828	
10,498			11,138
	Payments to and on account of leavers:		
-	Transfers out to other authorities	-	
-			-
2,116	Net amount Payable for year		1,821
(2,116)	Top up grant payable by the government		(1,821)
-			-

Net Assets Statement

31 March 2015 £000		31 March 2016 £000
	Current Assets:	
-	Contributions due from fire authority	-
-	Recoverable overpayments of pensions	-
2,116	Top-up grant receivable from the government	1,821
-	Cash and Cash Equivalents	-
	Current Liabilities:	
(2,116)	Cash overdrawn	(1,821)
-	Unpaid pensions benefits	-
-	Amount of grant payable to the government	-
-		-

1. Employer Contributions

The Fire Authority bore pension contributions as the employer, totalling £2.475m (£2.651m 2014/15) 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 £0.122m (£0.180m in 2014/15) and injury portions of pensions totalling £0.291m (£0.279m in 2014/15) 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 impact on the Authority's comprehensive income and expenditure statement.

3. IAS 19 Employee Benefits

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

4. Contingent Liabilities

The Fire Brigades Union has commenced a Collective Action in respect of the Fire Service Pension Scheme and the Transitional Provisions which came into force on 1 April 2015. This action is being taken against all Fire and Rescue Authorities as employers, even though the Scheme and Transitional Provisions were introduced nationally by the Department for Communities and Local Government. At this stage it is not possible to say what the outcome of the Collective Action will be, and what the potential financial impact on the Authority could be. There is however a risk that the Firefighters' Pension Fund Account will incur costs as a result of the Collective Action. The Authority has joined with other Fire Authorities under the auspices of the Local Government Association to jointly contest the Collective Action with solicitors Bevan Brittan appointed to represent us on a shared cost basis.

The Government has conceded a claim regarding the number of years' service that could be counted for pensionable purposes under the Firefighter's Pension Scheme. The effect of this is that members of the Scheme only have to make contributions for 30 years maximum; those who have made contributions between the ages of 18-30 and who have left the Scheme will be entitled to a refund of the contributions paid between the ages of 18-20. Those members who are still active members of the scheme will have contribution free years between the ages of 48-50. The Government has yet to publish regulations setting out how any reimbursement will be calculated and funded and therefore it is not possible to project the financial implications at this stage.

Glossary of Terms

Accruals

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

Actuarial Gains and Losses

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

Actuarial Valuation

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

Admitted Bodies

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

Amortisation

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

Bad Debt Provision

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

Balances

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

Business Rates Retention

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

Capital / Capital Expenditure / Capital Receipts

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

Cash Equivalents

These are investments, which amount to short term deposits.

Community Assets

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

Corporate and Democratic Core (CDC)

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

Contingent Assets and Liabilities

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

Corporate Management (CM)

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

General Fund

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

Creditors

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

Curtailments

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

Debtors

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

Defined Benefit and Contribution Pension Schemes

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

Democratic Representation and Management (DRM)

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

Depreciation

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

Fair value

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

Heritage Assets

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

Impairment

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

Intangible Assets

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

IFRS and IAS

International Financial Reporting Standards and International Accounting Standards

Leasing

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

Minimum Revenue Provision

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

Net Book Value (NBV)

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

Net Worth

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

Non-Distributed Costs

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

Non-Domestic Rates

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

Post Balance Sheet Events

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

Prior Period Adjustments

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

Private Equity

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

Property, Plant and Equipment (PP&E)

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

Provisions

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

Public Works Loan Board (PWLB)

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

Related Parties

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

Reserves

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

Revenue

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

Revenue Expenditure Funded from Capital Under Statute

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

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

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

Unusable Reserves

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

Usable Reserves

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