

# **East Sussex Fire Authority**

## **Statement of Accounts**

**2024/25**

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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](http://www.esfrs.org).

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

East Sussex Fire and Rescue Service Headquarters  
Church Lane  
Lewes  
East Sussex  
BN7 2DZ  
Or by email to [enquiries@esfrs.org](mailto: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 2025. 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 850,000.

The Authority is made up of 18 councillors, 12 of whom are nominated by East Sussex County Council and 6 of whom are nominated by Brighton & Hove City Council. The membership of the Authority during the 2024/25 financial year was as follows:

	East Sussex County Council	Brighton & Hove City Council	Total
Conservative	6	1	7
Green	1	1	2
Labour	1	4	5
Liberal Democrat	3	-	3
Independent Democrat	1	-	1
<b>Total</b>	<b>12</b>	<b>6</b>	<b>18</b>

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

Our purpose:

We make our communities safer

Our Commitments, we will do this by:

- Delivering high performing services
- Engaging with our communities
- Having a safe and valued workforce
- Making effective use of our resources

You can find out more about the Fire Authority and the services it provides at [www.esfrs.org](http://www.esfrs.org)

## Statement of Accounts

The core statements in these accounts comprise:

- The Movement in Reserves Statement (MiRS) – this statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement (CIES) – this is fundamental to the understanding of the Authority's activities. It brings together all of the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.
- The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.
- The Cash Flow Statement – this summarises the changes in cash and cash equivalents of the Authority during the reporting period.

Other statements include:

- The Expenditure and Funding Analysis – this analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by local authorities in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- The East Sussex Firefighters' Pension Fund Accounts – this summarises the transactions relating to the Firefighters' Pension Fund Account for 2024/25. This is an unfunded scheme (i.e. it is not backed by investments) into which employee and employer contributions are paid and from which pension payments are made. The account is topped up by a grant from Government if the contributions are insufficient to meet the cost of pension payments in any one year.

# Narrative Report by the Treasurer

## Changes to accounting policies

The Code of Practice is based on International Financial Reporting Standards (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 2024 and applies for accounting periods commencing on or after 1 April 2024. The key accounting changes principally introduced by the Code in 2024/25 are:

- a) IFRS 16 Leases issued in January 2016
- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

## Financial Report

This section of the Statement of Accounts for 2024/25 sets out:

- The construction of the original budget for 2024/25.
- The final outturn for 2024/25.

### Setting the Revenue Budget for 2024/25

The Authority has developed its service planning processes so that they provide a sound basis both for setting its strategic objectives, plans and policies and for its medium term financial planning and budget setting. The Authority's Medium Term Financial Plan (MTFP) recognised that there was significant uncertainty for fire funding beyond the one year settlement agreed by central government. For 2024/25 and beyond there were potentially significant risks as a result of the review of the local government funding formula and changes to the business rates system. In addition, there was a significant risk within the fire sector with one-off grant from Government funding a significant and ongoing increase in pension costs. As a consequence of this uncertainty the MTFP for the period to 2028/29 modelled three scenarios: Higher range - 2% increase in Settlement Funding Assessment (SFA) and council tax threshold 2.99%; Mid Range – 2% increase in Settlement Funding Assessment (SFA) and council tax threshold 1.99% and Lower Range – assumes SFA cash flat and council tax threshold 1.99%, resulting in the need to identify additional savings of between £1.9m to £3.5m over the period.

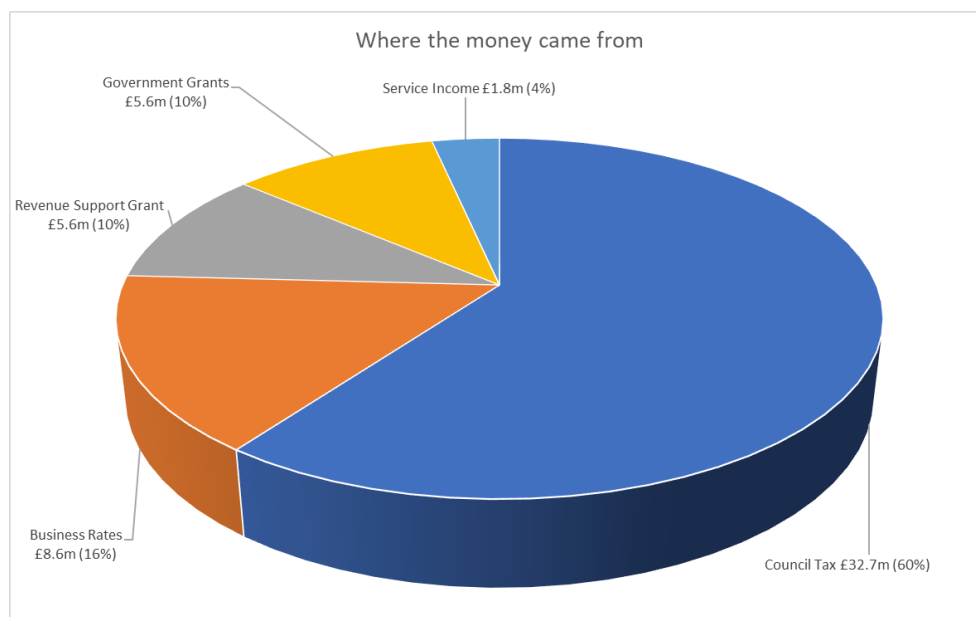
The budget and MTFP were developed to facilitate the delivery of the Authority's purpose and commitments and the priorities set out in the Integrated Risk Management Plan (IRMP) 2020-25. You can find out more about the IRMP at <https://www.esfrs.org/about-us/publication-of-information/strategies-plans-and-performance-information/community-risk-management-planning/>.

In February 2024 the Authority set its revenue budget for 2024/25 at £49.992m, an increase of £4.935m or 11.0% on the previous year. Of this increase £1.735m was due to a pensions grant being rolled into the settlement and a further £2.192m was pay inflation. Savings of £1.883m which were expected to increase to £2.171m by 2028/29 were included.

# Narrative Report by the Treasurer

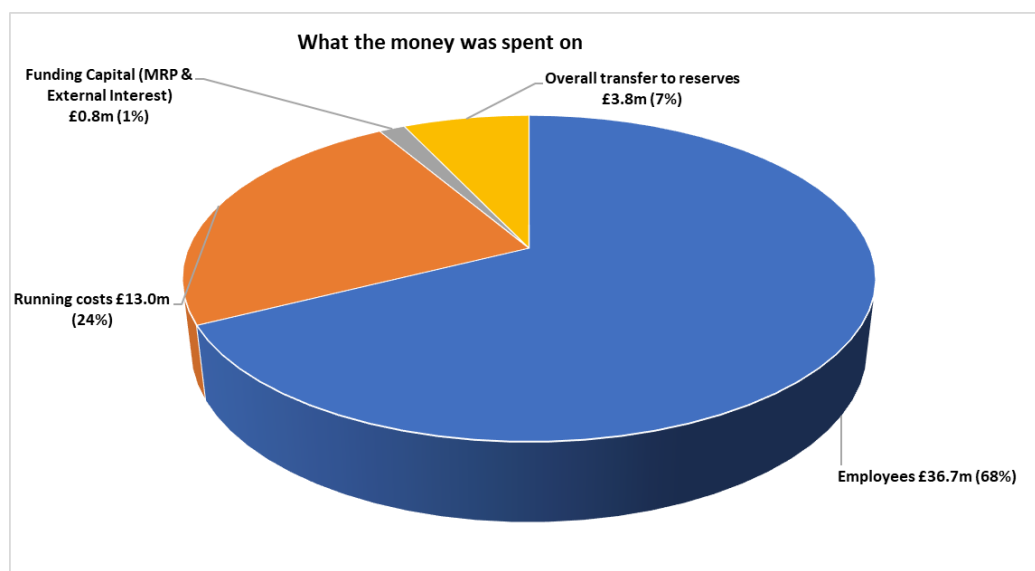
## Revenue Expenditure and Income

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



The majority of the funding (60%) comes from the Council Taxpayers of East Sussex and the City of Brighton & Hove. The three other main sources are Business Rates at 16%, Government Grants at 10% and Revenue Support Grant at 10%. The Service generates fees and charges income representing 4%.

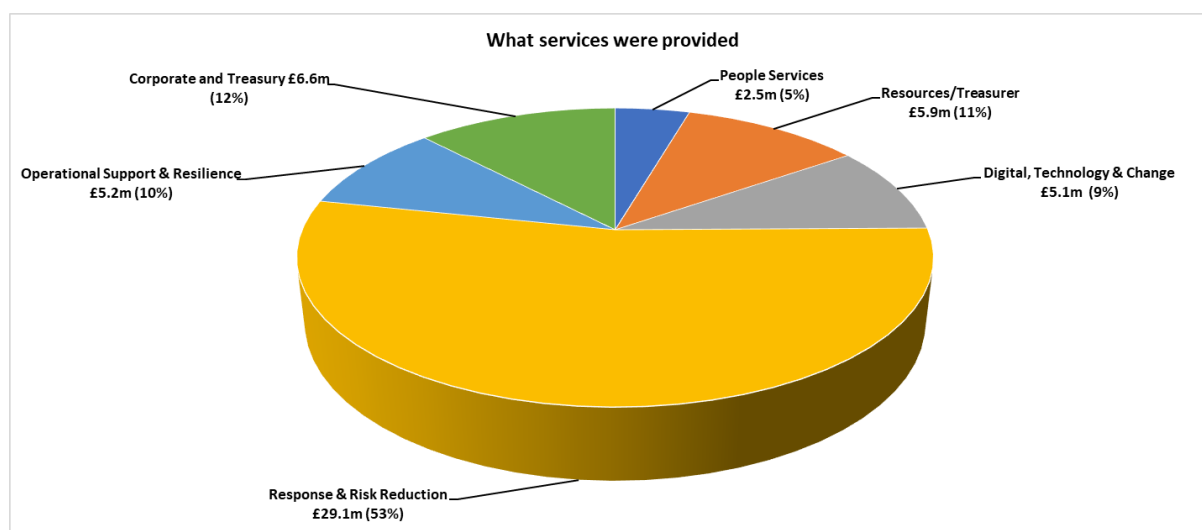
The next chart shows what this money was spent on:



Fire Authority services are heavily reliant upon staff, therefore employee costs including employer's pension contributions accounted for the majority (68%) of expenditure. Running expenses including the cost of premises, transport and supplies and services accounted for 24% of the total expenditure whilst the cost of funding capital expenditure, including the costs associated with loans taken out to invest in the Fire Authority's services, makes up 1%. The overall net transfers to reserves equates to 7%.

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

## Narrative Report by the Treasurer



The Authority's focus is on services to local communities, and this is reflected by the fact that 53% of expenditure is on Response & Risk Reduction which includes both firefighting and rescue operations and prevention and protection work including preventing fires, reducing arson, working with the local business community, and with other local authorities and stakeholders to make all our local communities safer. This directorate also delivers all operational training (with a few specialist exceptions) and commercial training based at Service Training Centre.

Resources/Treasurer (11%) supports service delivery providing Estates, Procurement, Finance, Risk and Insurance and Legal Services as well as support for Fire Authority and its meetings.

Operational Support and Resilience (10%) delivers support for the fleet including fire appliances, operational planning and policy, health and safety advice on legal compliance, policy formulation, training and safety performance monitoring activities and mobilising through Joint Fire Control provided by Surrey County Council.

People Services (9%) delivers Communications, HR and Organisational Development support all employees throughout their employment with the Service in a wide range of areas as well as ensuring the organisation is compliant with current employment law. People Services also leads on inclusion and diversity across the Service.

Digital, Technology & Change (9%) provides Information Technology Governance (ITG) services, programme and performance management, business planning and community risk management.

Corporate (12%) includes Principal Officers and their direct support, treasury management, various non-service costs such as injury benefits as well as the corporate contingency.

# Narrative Report by the Treasurer

## Analysis of the Revenue Budget

The table below sets out the main components of the Revenue Budget for 2024/25 and how these compare with the actual outturn. Any differences between the Provisional Outturn and the Net Expenditure Chargeable to the General Fund column on the Expenditure and Funding Analysis on page 26 are due to transfers to/from reserves.

	Original Budget 2024/25	Revised Budget 2024/25	Provisional Outturn 2024/25	Provisional Outturn Variation
	£'000	£'000	£'000	£'000
Peoples Services	2,526	2,359	2,375	16
Resources/Treasurer	5,931	6,438	5,692	(746)
Digital, Technology & Change	4,485	4,462	4,114	(348)
<b>Total Deputy Chief Fire Officer</b>	<b>12,942</b>	<b>13,259</b>	<b>12,181</b>	<b>(1,078)</b>
Response & Risk Reduction	27,269	28,031	28,128	97
Operational Support & Resilience	5,936	5,178	4,991	(187)
<b>Total Assistant Chief Fire Officer</b>	<b>33,205</b>	<b>33,209</b>	<b>33,119</b>	<b>(90)</b>
CFO Staff	937	942	922	(20)
Treasury Management	664	664	0	(664)
Non Delegated costs	(998)	(608)	(409)	199
Corporate Contingency	1,015	96	0	(96)
Transfer from Reserves	(257)	(136)	0	136
Transfer to Reserves	2,484	2,491	2,491	0
<b>Total Corporate</b>	<b>3,845</b>	<b>3,449</b>	<b>3,004</b>	<b>(445)</b>
<b>Total Net Expenditure</b>	<b>49,992</b>	<b>49,917</b>	<b>48,304</b>	<b>(1,613)</b>
Financed By:				
RSG	(5,639)	(5,639)	(5,639)	0
Council Tax	(32,483)	(32,483)	(32,483)	0
Business Rates	(8,371)	(8,371)	(8,124)	247
Service Grant Allocation	(49)	(49)	(54)	(5)
Funding Guarantee Grant	(1,165)	(1,090)	(1,090)	0
Levy Surplus	0	0	(65)	(65)
S31 Grants	(2,231)	(2,231)	(2,464)	(233)
Collection Fund Surplus/Deficit	(54)	(54)	(53)	1
<b>Total Financing</b>	<b>(49,992)</b>	<b>(49,917)</b>	<b>(49,972)</b>	<b>(55)</b>
<b>Total Over / (Under) Spend</b>	<b>0</b>	<b>0</b>	<b>(1,668)</b>	<b>(1,668)</b>

Throughout the year the Senior Leadership Team (SLT) and the Authority received regular budget monitoring reports which tracked expenditure and income compared to the set budget, progress in delivering agreed savings and identified in year spending

## Narrative Report by the Treasurer

pressures, enabling them to be managed within the overall revenue budget. Treasury Management is usually reported to Members as part of the Corporate heading, however, as it is not part of the Net Cost of Service in the Accounting Statement Expenditure and Funding Analysis, it is shown here separately.

The Authority's original estimate of net revenue expenditure for the year was £49.992m and reduced to £49.917m by the end of the financial year. The final outturn is, at £48.304m, an underspend of £1.613m on net expenditure which alongside better than expected income of £49.972m (additional £0.055m) resulted in an overall underspend of £1.668m (3.34% of budget).

In service delivery, the net expenditure position of a £1.668m underspend is the result of a combination of overspending in some areas partially offset by underspending in others.

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

- A £16,000 overspend in People Services due to occupational health fees offset by vacancies.
- A £746,000 underspend in Resources / Treasurer is due to delays in delivery of Estates works, underspends on maintenance, utilities, finance support services, risk & insurance and workwear.
- A £348,000 underspend in Digital, Technology & Change mainly due to a credit on the Airwave contract following a national legal case.
- A £97,000 overspend in Response & Risk Reduction is mainly due fixed term contracts and overtime being used to cover crewing absences, along with training costs. These were offset by vacancies and underspends in the Protection and Prevention teams.
- A £187,000 underspend in Operational Support and Resilience, mainly relates to vacancies and specialist equipment, offset by pressure on vehicle maintenance and repairs.
- An underspend of £445,000 on Corporate budgets which is mainly surplus interest income and reduced borrowing costs from Treasury Management activity, offset by cost of Future Foundations programme and pressures from unfunded pensions
- Additional funding of £55,000 was received primarily from S31 grant (£233,000), Service Grant (£5,000) and Business Rates levy distribution (£65,000), offset by a pressure from Business Rates (£247,000).

### Reserves and Balances

The financial statements also set out details of the Authority's reserves and balances, which are an 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 CIPFA Bulletin 13 - Local Authority Reserves and Balances. In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included.

The Reserves Strategy forms part of the Authority's Medium Term Financial Plan. The level of the Fire Authority General Fund Balance has increased by £0.292m to £2.792m exceeding the minimum risk based level of 5% of the Revenue Budget (£50.868m) for 2025/26 approved in February 2025.

The Authority's revenue balances have decreased by £1.729m to £11.578m at 31 March 2025 (including the 2024/25 Revenue Budget underspend of £1.668m), of which 76% or £8.786m is held for specific purposes. The total usable reserves stand at £11.579m 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 £8.786m. Earmarked reserves cover projects including Mobilising Strategy, I.T. Strategy and Emergency Services Mobile Communication and the use of unused grants carried forward to meet eligible revenue costs. Certain reserves are held to manage the accounting processes for tangible fixed assets, minimum revenue provision and retirement benefits which do not represent usable resources for the Authority.

The level of reserves held at the end of 2024/25 is £5.710m higher than planned (£11.578m actual against £5.868m planned). Reserve balances at 1 April 2024 were £4.439m higher than anticipated, with delays in planned investment in IT (£1.467m) in 2023/24 being the main reason.

### The Capital Programme

In 2024/25, the Authority spent £6.450m on its vehicles, buildings and other capital projects.

The Authority can fund its capital expenditure from several sources, each with its own advantages and limitations. The sources of funding for the original Capital Programme budget 2024/25 of £8.949m were Capital Programme Reserve (£2.265m) and the balance funded from new borrowing of £6.684m. 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, overseen by the Strategic Change Board, to ensure effective delivery.

The Capital Programme budget for the year was revised to £7.953m (funded by Capital Receipts (£0.045m), Capital Programme Reserve (£4.053m), Business Rates Pool Reserve (£1.500m) and external borrowing (£2.355m)) following an assessment of delivery of projects by the Service. The larger schemes budgeted for during the year were general property schemes (£5.583m) and the purchase of fleet and equipment (£2.370m). The underspend of £1.503m compared to the revised budget was an



## Narrative Report by the Treasurer

aggregation of slippage of spend into 2025/26 over a number of Estates & Fleet projects offset by spend in advance in relation to four Estates projects and one equipment purchase. Additionally there was an underspend of £0.153m.

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 Management Strategy report to the Authority.

During 2024/25, three loans totalling £0.402m matured and were repaid. No new borrowing was undertaken, so total borrowing ended the financial year at £9.015m.

At its meeting in February 2025, the Fire Authority approved a Capital Programme for 2025/26 of £9.553m financed by contribution from Earmarked Reserves of £2.500m and £7.053m of External Borrowing. Slipped schemes, from 2024/25 increased the 2025/26 Capital Programme by a further £1.351m to £10.904m, with the additional spending to be funded by External Borrowing (£1.351m). Ultimately slippage in the Capital Programme and better than anticipated cash balances meant that no new external borrowing was required during the year.

### Non-Financial performance

The Authority monitors its performance on a regular basis against a range of key performance indicators. This is reported to the Authority's Scrutiny and Audit Panel on a quarterly basis and includes attendance at incidents, employee absence and reporting of Health and Safety incidents. Significant performance level changes are reported on an exception basis. There is also a Year End Performance Report that is to be considered by the Fire Authority on 4<sup>th</sup> September 2025.

All performance reports can be downloaded at <https://www.esfrs.org/about-us/publication-of-information/strategies-plans-and-performance-information/>

### Trade Union (Facility Time Publication Requirements) Regulations

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

### 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 decreased from £313.409m at the start of the year to £291.185m at 31 March 2025. Note 35 to the accounting statements provides more detailed information. The resultant impact on the CIES is a charge of £1.118m to reflect the present value of the defined benefit obligation and an actuarial gain on pension assets and liabilities of £23.342m. The explanation for the majority of this movement is a net £23.3m decrease on the remeasurement of the Firefighters' Pensions Scheme liability primarily due to changes in financial assumptions. 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 Firefighters' Pension Schemes.

### Treasury Management, Borrowing and Investment

The Authority's Treasury Management Strategy for 2024/25 was agreed in February 2024.

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 £0.787m at an average rate of 5.08% (compared to the Bank of England base rate which was initially 5.25% and then reduced during the year, ending at 4.5% in March). During the year, and in accordance with its Treasury Strategy, the Authority continued to invest in the highest quality rated banks and using fixed term and notice accounts alongside continued use of overnight access cash money market funds. Investments can be placed to Environmental, Social and Governance (ESG) funds that meet the Authority's policy criteria for security and liquidity and when such funds offer comparable or better returns than similar non ESG funds. Whilst there have been no suitable opportunities to invest in ESG products during the year the Authority has made greater use of the Local Authority market to invest short term where rates have exceeded those offered by other counterparties.

At the end of 2024/25 the Authority was under borrowed by £0.877m when compared to its closing 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 borrowing costs.

### 2025/26 and beyond

The Authority's original budget for 2025/26 was set at £50.868m, an increase of 1.75% over the previous year, and in light of the financial challenge facing the Authority in the future, Members agreed to raise Council Tax by £5 taking a Band D property to £112.49. 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 £2.16 per week (for the average household). The Medium Term Finance

## Narrative Report by the Treasurer

Plan (MTFP) for the five years to 2029/30 sets out how the Authority plans to achieve financial sustainability through a balanced budget over the medium term. Both the budget and the MTFP were set in the context of significant uncertainty for fire funding beyond the one year funding settlement from Government for 2025/26. The potential financial risks facing the Authority include:

- Our ability to identify and deliver the savings required to balance the budget over the medium term;
- Increasing costs of capital schemes due to inflation which are impacting on the long term affordability of the capital programme
- Increased reliance on borrowing to fund future capital investment from 2024/25 onwards and the resulting impact on the revenue budget;
- Lack of clarity about the financial impact of the national Emergency Service's Mobile Communication Programme;
- The potential for pay awards to exceed the provision in the budget (each additional 1% above the 2% provision would increase costs by £0.393m);
- The potential for non-pay inflation to exceed the provision made in the revenue budget and the capital programme (each additional 1% above the 2% provision would increase costs by £0.136m);
- The Government's decision not to fully fund the impact of changes to NICs for local authorities;
- Uncertainty about future governance and funding including:
  - the outcomes from the Comprehensive Spending Review
  - the impact of any changes to the funding formula
  - for the impact of any changes to the business rates system
- The impact of local growth and additional housing, road and commercial risks;
- The impact of the English Devolution White Paper particularly proposals for unitary structures in two tier areas and mayoral control of fire authorities;
- The financial implications of climate change both through service delivery (response to extreme weather events) and the need to meet the national target for net zero carbon emissions by 2050;
- The outcomes of the Fire and Rescue reform White Paper Outcomes for the fire service nationally and locally from the HMICFRS inspection process including the ongoing process of cultural change and strengthening of inclusion and diversity;
- The impact of the Building and Fire Safety Acts and Grenfell II on fire service responsibilities and the resultant cost of compliance/delivery;
- The possibility of industrial action across the sector

The MTFP models three scenarios from 2026/27: Higher range - assumes an increase of 2% per annum on Settlement Funding Assessment and 2.99% council tax threshold, which indicates the need to make further savings of £2.268m; Mid range – assumes cash flat Settlement Funding Assessment and 2.99% council tax threshold, which indicates the need to make further savings of £2.595m and Lower range - assumes all funding remains cash flat which indicate the need to make further savings of £3.867m.

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carried out a full inspection during 2024/25 and concluded that the Service is good at using its resources efficiently.

[Effectiveness, efficiency and people 2023–2025: East Sussex Fire and Rescue Service - His Majesty's Inspectorate of Constabulary and Fire & Rescue Services](#)

The Authority has implemented its Integrated Risk Management Plan 2020-2025 (IRMP) which aimed to ensure that we put our resources in the right place, at the right time to deal with emergencies and help prevent them in the first place through engagement and regulation. To achieve this, we have assessed our community risks, using a range of sophisticated analytical tools to identify where incidents such as fires or flooding might happen, when they might occur and how serious they could be. This allows us to target our resources, including firefighters and fire engines, most effectively, bringing about a better balance of prevention, protection and response, as well as delivering efficiencies of £0.760m by 2028/29. We are also preparing our next Community Risk Management Plan (CRMP) which will cover the period 2025-30. You can find out more about the CRMP at:

[Community Risk Management Planning | East Sussex Fire & Rescue Service \(esfrs.org\)](#)

The Authority deals with considerable sums of public money. The Authority's Financial Regulations provide the framework within which financial control is operated. To conduct its business efficiently, the Authority needs to ensure that it has sound financial management and procedures in place to which they are strictly adhered. Strict compliance with these policies ensures that the Authority's policy objectives are pursued in a prudent and efficient way. These Financial Regulations provide clarity about the accountabilities of individuals: Members; the Chief Fire Officer; the Monitoring Officer; the Treasurer; and other senior officers. Revised Financial Regulations were approved by the Fire Authority in September 2023.

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

The Annual Governance Statement which is included in this Statement of Accounts covers more than just financial matters and is set out in full on pages 14 to 19.

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

## ***Narrative Report by the Treasurer***

support and enable the Authority's wider transformation programme. In April 2025 the Authority went live with its new Enterprise Resource Planning (ERP) system, Oracle Fusion, replacing its existing SAP system. Phases 1 and 2 of this major systems implementation, which was led by East Sussex County Council, included finance, procurement and budget monitoring. Phase 3 that covers payroll and expenses is expected to go live in quarter 1 of 2026/27. The hypercare period for Phase 2 is due to end at the end of June 2025. Moving from implementation to business as usual for Phases 1 and 2 will be key to delivering improvements to our finance and procurement including budget monitoring and the production of financial statements for 2025/26 onwards.

### ***The Audit Opinion***

The Draft Statement of Accounts will be subject to external audit

**Duncan Savage**

Assistant Director Resources / Treasurer

30<sup>th</sup> June 2025

DRAFT

**To follow**

DRAFT

**To follow**

DRAFT

## Annual Governance Statement 2024/25

### 1. Scope of Responsibility

East Sussex Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Accounts and Audit Regulations 2015 (as subsequently amended) require the Authority to prepare an annual governance statement, which must accompany the statement of accounts. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) 2016 Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and meets the requirements of the Accounts and Audit Regulations 2015.

### 2. The Purpose of the Governance Framework

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

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

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2025 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

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

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

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

- a Code of Conduct for Members, built upon the Nolan Principles of Public Life;
- an Officer Code of Conduct and Core Code of Ethics;
- a Register of Members' Interests;
- a Register of Officer Declarations of Conflicts of Interest, and Declarations of Gifts and Hospitality accepted;
- comprehensive induction programmes for both Officers and Members built on the standards of behaviour expected, supported by appropriate training;
- a Competency Framework and Rolling Review Scheme used for improving organisational performance through focusing and reviewing each individual's ability and potential;
- Grievance and Disciplinary Policies and Procedures;
- published procedures for dealing with allegations of breaches of the Code of Conduct for Members;
- Member Panels with clear responsibilities for governance, audit and standards;
- a Dignity and Respect Policy
- an effective Anti-Fraud, Bribery and Corruption policy allowing for reporting and actioning any incidents; and
- a whistleblowing policy providing protection to individuals raising concerns.

# Annual Governance Statement

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

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

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

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

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

When required, Standards complaints will be considered by the Scrutiny & Audit Panel.

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

## **Principle B – Ensuring openness and comprehensive stakeholder engagement**

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

- publishing a Corporate Plan that sets out our purpose and commitments to the community and the outcomes we intend to achieve;
- an established business planning process, including the development of a published medium term finance plan;
- regular, published reporting of performance against the Authority's key performance indicators;
- the Authority has approved and implemented a comprehensive Communications, Engagement & Consultation Strategy setting out a range of methods of engaging with the community and stakeholders, include those groups which are harder to reach;
- the Authority recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;
- the Authority has a clear guidance and defined approach which promotes good governance in our partnership working and collaboration;
- providing the public with the opportunity to ask questions, submit petitions or make representations to the Authority;
- publishing the Community Risk Management Plan (CRMP) providing information in relation to how the Authority delivers its services;
- providing a modern, effective IT Strategy and solution that meets the needs and aspirations of the organisation and the communities that we serve.

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

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

- regular reviews of the effectiveness of collaboration through Assurance, Performance & Governance Group;
- auditing partnership and collaboration frameworks and policies through internal audit; and
- ensuring that partnerships and collaborations offer value and contribute to the Authority's strategic objectives.

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

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

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

- a Community Risk Management Plan, covering a period of three or five years;
- a Medium-Term Financial Plan;
- a clear framework for financial governance based on Procurement Standing Orders and Financial Regulations;



# Annual Governance Statement

- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to Officers and Members;
- externally audited accounts;
- detailed performance information.

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

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

- delivering services to meet local needs through the Community Risk Management Plan, and putting in place policies and procedures to ensure that they operate effectively in practice;
- developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors;
- actively pursuing and implementing collaboration opportunities with the Police, Ambulance, other Fire Services and other local authorities;
- responding positively to the findings and recommendations of external auditors, reviewers and statutory inspectors and putting in place arrangements for the implementation of agreed actions;
- comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering alternative means of service provision, processes and procurement to maximise opportunities and improve value for money where appropriate;
- following its Responsible Procurement Policy that aims to support our collective responsibility to limit any negative impact and promote the Authority's commitment to deliver sustainable and responsible outcomes across social value, ethical sourcing and environmental sustainability;
- Developing an Environment & Sustainability Action Plan.

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

To achieve this, the Authority has:

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

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

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

- electing a Chairperson, establishing Panels and nominating Member Leads with defined responsibilities;
- a clear scheme of delegated responsibilities to Senior officers;
- undertaking a regular review of the Constitution;
- having effective and comprehensive arrangements for the scrutiny of services;
- making the Chief Fire Officer responsible and accountable for all aspects of operational management;
- ensuring that at all times arrangements are in place for the proper administration of its financial affairs (Section 112 Officer);
- ensuring that at all times arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer);
- developing protocols that ensure effective communications between Members and Officers.
- a risk management process to identify where interventions may be required
- a sound understanding of risk in our community and service demand (current & future) which informs resource allocation decisions.
- leveraging IT investment to improve internal processes and increase internal capacity through more effective use of resources.

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

- operating robust and transparent recruitment and selection processes;

- cascading regular information to Members and staff;
- regular Member Seminars providing a forum for sharing information, consultation, training and demonstration of operational procedures;
- providing resources that support Member and Officer development;
- promoting schemes supporting ongoing professional development;
- undertaking the annual rolling review of the Chief Fire Officer and setting objectives that contribute to the Authority's purpose and commitments, strategy and plans and that incorporate key development needs.

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

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

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

The Authority undertook a comprehensive and independent review of its constitution in 2021/22 to ensure that it was both current and robust.

The Authority has completed a self-assessment against the CIPFA Financial Management Code (FM Code) 2019. Strong financial management is an essential part of ensuring public sector finances are sustainable and the FM Code provides guidance for good and sustainable financial management in local authorities and provides assurance that authorities are managing resources effectively.

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

- enables a culture of risk awareness;
- formally identifies and manages risks;
- involves elected members in the risk management process;
- maps risks to financial and other key internal controls;
- documents and records details of risks and is developing a risk management information system;
- monitors the progress in mitigating significant risks, and reports this to Members;
- reviews and, if required, updates its risk management process at least annually;
- considers risk within all projects.

The Authority uses the findings and suggestions of Internal Audit, External Audit, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and other review agencies, statutory bodies and inspectorates to assist in the management of risk and performance.

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

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

### **To achieve this, the Authority:**

- publishes relevant information relating to salaries, business interests and performance data on its website;
- has a Procurement team who provide advice and issue clear guidelines for procuring goods and services;
- has a Scrutiny & Audit Panel operating in accordance with guidance provided by CIPFA;
- publishes information to the Authority and its Panels as part of established accountability mechanisms;
- acts upon the findings or recommendations of Internal and External Audit Reports;
- prepares an Annual Governance Statement;
- prepares an Annual Statement of Assurance;
- prepares a Corporate Plan;
- publishes a forward plan on its website.

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

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

## 4. Review of Effectiveness

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

- the work of Members through the Fire Authority and its Panels, including Policy & Resources and Scrutiny & Audit;
- the work of Senior Officers who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Monitoring Officer and the Treasurer;
- the risk management arrangements including the maintenance and regular review of corporate risks by the Senior Leadership Team and Scrutiny & Audit Panel;
- the work of Internal Audit including individual reports and their overall annual report and opinion;
- the Authority's External Auditors in their Annual Audit Letter and Annual Governance Report;
- the judgements of other review agencies, statutory bodies and inspectorates including HMICFRS.

## 5. Assurance & Significant Governance Issues

No assurance can ever be absolute; however, this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Authority's governance arrangements. The Authority is fully committed to the principles of corporate governance. The Assurance, Performance & Governance Group monitors the progress on the governance issues contained within the Annual Governance Statement. Those issues that were ongoing at 31 March 2025 will be included in the 2025/26 action plan below.

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the Authority has in place governance arrangements and a satisfactory system of internal control, both of which are fit for purpose and operating effectively. As part of this review we have not identified any gaps in assurance over key risks or significant governance issues. The Authority has, however, identified a range of improvements to its corporate governance arrangements. Action Plans are in place to address the necessary improvements and these will be monitored during the year.

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

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

### (i) **Deliver risk improvement plan**

*The risk improvement plan was developed following an external assessment against a CIPFA / ALARM best practice benchmark. It includes a refresh of the Corporate risk register, the development of directorate risk registers and training / briefing to improve risk awareness across the Service. It will require the recruitment of suitable external resource for which funding has been agreed. This work is anticipated to take 6 months and should be complete by the end of Q3. (Assistant Director Resources/ Treasurer) (carried forward)*

### (ii) **Implement Remedies for the Firefighter Pension Scheme (FPS)**

*Work closely with our FPS administrator, West Yorkshire Pension Fund (WYPF), to implement both the age discrimination and part time workers remedies. Where we cannot meet the relevant statutory deadlines we will make the appropriate breach reports to the Pension Regulator. We will communicate regularly with those scheme members who are affected. (Assistant Director People Services) (carried forward)*

### (iii) **Service Culture**

*Continue our assurance exercise to ensure that we have the working practices and organisational culture expected of a modern and efficient Fire & Rescue Service. This will include the ongoing consideration of recommendations and findings from national reports. (Deputy Chief Fire Officer) (carried forward)*

### (iv) **Develop an Environment & Sustainability Action Plan**

Following initial work with an external consultancy the Service will complete the development of an Environment & Sustainability Action Plan, including consideration of the Authority's community leadership role in relation to climate change for consideration by the Fire Authority in December 2025. **(Deputy Chief Fire Officer & Assistant Director Resources/Treasurer) (carried forward)**

- (v) **Review the effectiveness of the Scrutiny & Audit Panel**  
Conduct a review into the effectiveness of the Scrutiny & Audit Panel against the revised best practice guidance on Audit Committees issued by CIPFA and in the light of the Redmond Review. A working group of the Panel will be established and a final report will be presented in November 2025. **(Assistant Director Resources/Treasurer) (carried forward)**
- (vi) **Future Foundations**  
We will implement the recommendations from the future foundations review to ensure the Service structure, skills, capabilities, and ways of working meet future needs enabling it to work more effectively and efficiently. We will do this by carrying out a review of our Enabling Services by September 2025, we will introduce a new SLT structure by Summer 2025, we will have a clear framework for the ongoing training and development of support staff and we will have completed the HQ consolidation by September 2025 and be working towards better use of our Estate by March 2026. **(Deputy Chief Fire Officer) (carried forward)**
- (vii) **Community Risk Management Plan (CRMP)**  
Continue the CRMP development process and produce a five year plan and strategic CRMP document. The draft plan will be considered at the September 2025 Fire Authority meeting together with the Consultation programme. Consultation will commence in October / November 2025, with the final 2025-30 CRMP and consultation results considered and approved at the February 2026 Fire Authority meeting. **(Assistant Director Response & Risk Reduction & Assistant Director Digital, Technology & Change) (carried forward)**
- (viii) **Records Retention Scheme and Schedule**  
Recommendations from the review of the Service's Information handling processes and procedures are being implemented, creating a more robust and up-to-date Records Retention Scheme and accompanying Schedule ensuring compliance with relevant regulations. The systems, processes and training implementation will complete in Q1 2026. **(Assistant Director Digital, Technology & Change) (carried forward)**
- (ix) **Devolution and Local Government Reorganisation**  
Monitor and assess the implications of the developing options for devolution and local government reorganisation, national and locally. Contribute to the development of proposals which directly affect the Fire & Rescue Service and reflect the views of the Fire Authority as appropriate. **(Deputy Chief Fire Officer) (new action)**
- (x) **Organisational Learning & continual improvement**  
Ensure that relevant compliance issues identified through local audit and inspection processes are built into our standards programme. **(Assistant Director People Services) (new action)**
- (xi) **Performance Management Framework**  
The existing Performance Management Framework will be reviewed to identify and implement improvements that lead to more efficient processes and greater alignment to internal governance structures. **(Assistant Director Digital, Technology & Change) (new action)**

Councillor Peter Pragnell, Chairman, Scrutiny & Audit Panel

Mark Matthews, Chief Fire Officer

24 April 2025

## Movement in Reserves Statement

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

2023/24	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 2023 carried forward	1,556	520	12,384	-	14,460	(251,832)	(237,372)
<b>Movement in Reserves during 2023/24</b>							
Total Comprehensive Income and Expenditure	(4,930)	-	-	-	(4,930)	(6,369)	(11,299)
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,297	(520)	-	-	3,777	(3,778)	(1)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(633)</b>	<b>(520)</b>	<b>-</b>	<b>-</b>	<b>(1,153)</b>	<b>(10,147)</b>	<b>(11,300)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	1,576	-	(1,576)	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>943</b>	<b>(520)</b>	<b>(1,576)</b>	<b>-</b>	<b>(1,153)</b>	<b>(10,147)</b>	<b>(11,300)</b>
<b>Balance at 31 March 2024</b>	<b>2,499</b>	<b>-</b>	<b>10,808</b>	<b>-</b>	<b>13,307</b>	<b>(261,979)</b>	<b>(248,672)</b>

## Movement in Reserves Statement

2024/25	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 2024 carried forward	2,499	-	10,808	-	13,307	(261,979)	(248,672)
<b>Movement in Reserves during 2024/25</b>							
Total Comprehensive Income and Expenditure	(2,088)	-	-	-	(2,088)	21,821	19,733
Adjustments between accounting basis & funding basis under regulations (Note 7)	359	-	-	-	359	(358)	1
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,729)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,729)</b>	<b>21,463</b>	<b>19,734</b>
Transfers to/(from) Earmarked Reserves (Note 8)	2,022	-	(2,022)	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>293</b>	<b>-</b>	<b>(2,022)</b>	<b>-</b>	<b>(1,729)</b>	<b>21,463</b>	<b>19,734</b>
<b>Balance at 31 March 2025</b>	<b>2,792</b>	<b>-</b>	<b>8,786</b>	<b>-</b>	<b>11,578</b>	<b>(240,516)</b>	<b>(228,938)</b>

# 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.

2023/24			2024/25			
(Restated)*						
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,084	(40)	2,044	People Services	2,432	(33)	2,399
7,581	(84)	7,497	Resources/Treasurer	10,092	(82)	10,010
17,282	(1,040)	16,242	Response & Risk Reduction	15,693	(695)	14,998
5,289	(191)	5,098	Digital, Technology and Change	5,338	(260)	5,078
6,238	(270)	5,968	Operational Support & Resilience	6,421	(189)	6,232
1,825	(4)	1,821	Corporate	1,927	(205)	1,722
40,299	(1,629)	38,670	Cost of Services	41,903	(1,464)	40,439
		(56)	Other operating expenditure (Note 9)			(37)
		13,883	Financing and investment (income) and expenditure (Note 10)			13,958
		(47,567)	Taxation and non-specific grant income (Note 11)			(52,272)
		4,930	Deficit on Provision of Services			2,088
		2,486	Surplus on revaluation of Property, Plant and Equipment assets (Note 21)			1,521
		3,883	Actuarial (gains) / losses on pension liabilities (Note 35)			(23,342)
		6,369	Other Comprehensive (Income) and Expenditure			(21,821)
		11,299	Total Comprehensive (Income) and Expenditure			(19,733)

\*The 2023-24 figures have been restated for comparative purposes due to internal restructure during 2024-25 which had resulted in the creation of new Directorates.

## 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 is 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 2024 £000		Notes	31 March 2025 £000
60,875	Property, Plant & Equipment	12	61,047
<b>60,875</b>	<b>Long Term Assets</b>		<b>61,047</b>
14,058	Short Term Investments	13	12,047
-	Assets Held for Sale	17	-
1,362	Payments in Advance	15	2,460
84	Inventories	14	178
4,659	Short Term Debtors	15	4,211
518	Cash and Cash Equivalents	16	329
<b>20,681</b>	<b>Current Assets</b>		<b>19,225</b>
(7,125)	Short Term Creditors	18	(7,345)
(402)	Short Term Borrowing	13	(520)
(167)	Provisions	19	(109)
<b>(7,694)</b>	<b>Current Liabilities</b>		<b>(7,974)</b>
(313,409)	Liabilities related to defined benefit pension schemes	35	(291,185)
(9,015)	Long Term Borrowing	13	(8,495)
-	Other Long Term Liabilities	13	(326)
(84)	Provisions	19	(81)
(25)	Capital Grants Receipts in Advance	30	(1,149)
<b>(322,533)</b>	<b>Long Term Liabilities</b>		<b>(301,236)</b>
<b>(248,671)</b>	<b>Net Assets</b>		<b>(228,938)</b>
13,308	Usable Reserves	20	11,578
(261,979)	Unusable Reserves	21	(240,516)
<b>(248,671)</b>	<b>Total Reserves</b>		<b>(228,938)</b>

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 2025 and its Comprehensive Income and Expenditure Statement for the year then ended.

**Duncan Savage**  
Assistant Director Resources/Treasurer

The Statement of Accounts was approved by the Scrutiny and Audit Panel on xx November 2025.



## 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 extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows that arise from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2023/24		2024/25
£000		£000
4,930	Net deficit on the provision of services	2,088
(7,491)	Adjustments to net deficit on the provision of services for non-cash movements (Note 22)	(6,051)
231	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	421
(2,330)	Net cash flows from Operating Activities	(3,542)
5,070	Investing Activities (Note 23)	3,280
400	Financing Activities (Note 24)	451
<b>3,140</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>189</b>
3,658	Cash and cash equivalents at the beginning of the reporting period	518
<b>518</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 16)</b>	<b>329</b>

## Expenditure and Funding Analysis

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

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

2023/24				2024/25		
Net Expenditure Chargeable to the General Fund	(Restated)* Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
2,116	(72)	2,044	People Services	2,437	(38)	2,399
5,440	2,057	7,497	Resources/Treasurer	5,614	4,396	10,010
26,024	(9,782)	16,242	Response & Risk Reduction	28,062	(13,064)	14,998
5,082	16	5,098	Digital, Technology and Change	5,003	75	5,078
5,136	832	5,968	Operational Support & Resilience	5,166	1,066	6,232
1,818	3	1,821	Corporate	1,769	(47)	1,722
<b>45,616</b>	<b>(6,946)</b>	<b>38,670</b>	<b>Net Cost of Services</b>	<b>48,051</b>	<b>(7,612)</b>	<b>40,439</b>
(44,984)	11,243	(33,741)	<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	(46,322)	7,971	(38,351)
<b>632</b>	<b>4,297</b>	<b>4,929</b>	<b>(Surplus) or Deficit</b>	<b>1,729</b>	<b>359</b>	<b>2,088</b>
		13,940	<b>Opening General Fund Balance (including Earmarked Reserves)</b>			13,307
		(632)	(Less)/Plus Surplus or Deficit on General Fund Balance In Year			(1,729)
		<b>13,308</b>	<b>Closing General Fund Balance (including Earmarked Reserves)</b>			<b>11,578</b>

\* The 2023-24 figures have been restated for comparative purposes due to an internal restructure during 2024-25 which resulted in the creation of new Directorates

# Notes to the Accounting Statements

## Authorisation of Statement of Accounts

Authorisation of Statement of Accounts – The draft accounts were authorised for issue by Duncan Savage, Assistant Director Resources/Treasurer on 30<sup>th</sup> June 2025. The Statement of Accounts was approved on xx November 2025 and 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 2024/25 financial year and its position at the year-end of 31 March 2025. 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 2024/25 and the Service Reporting Code of Practice 2024/25, supported by International Financial Reporting Standards (IFRS), statutory guidance issued under section 12 of the 2003 Act, and Accounts and Audit (England) Regulations 2015. The accounting convention adopted for the Authority's Accounting Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

### ii. Going Concern

These accounts have been prepared on a going concern basis assuming that that the Authority will continue in operational existence for 12 months from the date the accounts are approved.

Sussex is part of the Government's priority programme for devolution. We are still awaiting final confirmation, but it is proposed that governance of the Fire Authority should transfer from its current Combined Fire Authority to sit under the control of a mayoral authority for Sussex. This could happen as early as April 2027, following mayoral elections proposed for May 2026 and would require legislative change. If this were to occur the responsibility for service delivery under the Fire & Rescue Services Act 2004 along with all staff, assets and liabilities would transfer to the Mayoral Authority. This potential governance change has been considered but does not affect the Authority's judgement regarding going concern. The provisions in the CIPFA/LASAAC Code of Practice of Local Authority Accounting 2024/25 and the Financial Reporting Council's Practice Note 10 in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year and indeed, recent action taken by Government in respect of a number of authorities experiencing financial difficulties is supportive of this approach. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

As part of its budget setting for 2025/26 and the updating of its Medium Term Finance Plan (MTFP) the Authority has assessed the likely impact of inflation on its financial position and performance during 2025/26 and beyond.

The Authority has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Authority is satisfied that it can prepare its accounts on a going concern basis.

The Authority recognises that the financial position has become more challenging since the emergence of the Covid 19 Pandemic in March 2020 and more recently the wider impact of worldwide supply disruption, especially since the start of the conflict in Ukraine, and subsequently the Middle East, and the impact of inflation on pay and prices.

The MTFP was set in February 2025 along with a balanced budget for 2025/26. The Authority will receive an initial assessment of the potential risks to its financial position including as a result of price inflation which continues to exceed the 2% target, the partial funding of changes to National Insurance Contributions (NICs) and the impact of national pay awards exceeding the provision in the revenue budget on 17 July 2025. The MTFP requires savings of £2.595m to be delivered by 2026/27 to provide a balanced budget. This figure has been revised upwards to c£3.5m to take account of the ongoing impact of pay awards and NICs changes.

There remains significant uncertainty about future funding for local government, including the fire sector, and the impact of worldwide supply chain disruption on pay and price inflation has been compounding the situation. The Local Government Finance Settlement announced in December 2024 was for one year only. This makes financial planning extremely difficult. The Authority has revised its MTFP and modelled higher and lower range scenarios, which could require additional savings to be made up to £7.5m by 2028/29. Following the announcement of the Government's Comprehensive Spending Review in June, followed by changes to the funding formula and a reset of the business rates system, a multi-year funding settlement is expected to be announced in the autumn / winter of 2025.

## Notes to the Accounting Statements

Work is ongoing in the Service to explore options for delivering efficiency savings and / or generating income of up to £4m, with the aim of setting a balanced budget in 2026/27 and over the three years of the expected settlement. Clearly savings of the scale modelled will not be covered by efficiencies and income generation alone and the Service will be developing Financial sustainability Plans for all areas of the Service.

As at 31 March 2025 the Authority had the following reserves to call on in delivering its services. In the event of a serious financial situation, it would have to consider 'un-earmarking' certain reserves to meet its commitments.

• General Fund	£2.792m
• Earmarked (including grants unapplied)	£8.786m
Total Usable Reserves	£11.578m

The Authority had investments of £13.41m at the end of March 2025 of which £7.41m is available next day, a further £1m is in a notice account of 95 days, and the remaining £5m is in fixed term deposits of £1m maturing in June, July, September (£2m) and October 2025. The Authority closely monitors its cashflow and investments to ensure it has sufficient liquidity to meet its commitments. It has not made any longer term investments especially where there is a potential risk to the principal sum given current market uncertainty. The Authority has prepared a detailed cash flow forecast up to 31 March 2026. The Authority remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Authority is of course also able to borrow short term for cash management if ever needed.

In addition, the Authority has the ability to reduce or postpone planned investments in its IT, estate and fleet should it need to further protect levels of cash and useable reserves.

In common with other fire authorities, the Authority has a significant deficit on its balance sheet primarily as a result of its net liability for the unfunded Firefighter Pension Scheme. There are statutory arrangements in place to fund this deficit and therefore it does not affect the Authority's continued operation on a going concern basis. Considering all of the above, the Authority considers it appropriate to prepare the financial statements on a going concern basis.

### iii. Accruals of Income and Expenditure

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

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

### iv. Revenue recognition

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

### v. Debtors and Creditors

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

- 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.

# Notes to the Accounting Statements

## vi. Cash and Cash Equivalents

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

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

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

## vii. Exceptional Items

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

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

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

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

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

## ix. Charges to Revenue and Non-Current Assets

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

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

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

## x. Employee Benefits

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

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in

## Notes to the Accounting Statements

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 76.

#### 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 2025, the actuary assumed a discount rate of 5.85% 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 (4.95% for retirement benefits at 31 March 2024).

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

## Notes to the Accounting Statements

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

### xi. Events After the Balance Sheet Date

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

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

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

### xii. Financial Instruments

#### Financial Liabilities

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

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

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

- **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

# Notes to the Accounting Statements

credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

## Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost:

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### Financial Assets Measured at Fair Value through Profit or Loss:

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

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

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

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

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

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 5 years from 1/4/18) any unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Financial Instrument Revaluation Reserve in the Balance Sheet.

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

### Expected Credit Losses:

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



## Notes to the Accounting Statements

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

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

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

### xiii. Government Grant and Contributions

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

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

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

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

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

### xiv. Inventories and Long Term Contracts

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

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

### xv. Leases

#### The Authority as Lessee

The Authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

#### Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date of 1<sup>st</sup> April 2024, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option

## Notes to the Accounting Statements

- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

### Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current 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.

### 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

## Notes to the Accounting Statements

received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

### xvi. Overheads and Support Services

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

### xvii. Property, Plant and Equipment

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

#### Recognition

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

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

We record as capital expenditure all transactions that involve the purchase of new Property, Plant and Equipment or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise, individual items of vehicles and equipment are treated as capital if the value is over £10,000. If the value is less than this sum, we charge it to revenue.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

# Notes to the Accounting Statements

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

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

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

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

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

## Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

## Componentisation

Componentisation applies to Plant and Equipment assets from 1<sup>st</sup> April 2010 in relation to enhancement expenditure, acquisition expenditure and revaluations carried out as per the three year rolling programme. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

## Depreciation

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

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

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

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

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

## Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease

## Notes to the Accounting Statements

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.

### xviii. Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

#### Contingent Assets

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

### xix. Reserves

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

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

# Notes to the Accounting Statements

## xx. Revenue Expenditure Funded from Capital under Statute

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

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

## xxi. Value Added Tax (VAT)

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

## xxii. Interest Charges

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

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

## xxiii. Redemption of Debt

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

## xxiv. Council Tax and Business Rates

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

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

## xxv. Fair Value Measurement

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

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

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

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

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

# Notes to the Accounting Statements

- 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 2025/26 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2025. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

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

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

As the 2025/26 Code requires implementation from 1 April 2025 it has no impact on the data within the 2024/25 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 contain 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 2025 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
<b>Useful lives of property, plant and equipment assets</b>  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 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	It is estimated that the annual depreciation charge would increase by £332,000 for every 1 year that useful lives had to be reduced.  This amount is not considered to be material in relation to the recorded expenses and non-current	The estimated useful lives of property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.  The estimation of the useful lives of property, plant, and equipment are

## Notes to the Accounting Statements

Item and area of uncertainty	Effect if actual results differ from assumptions	Actions undertaken to reduce the area of uncertainty
increase the recorded expenses and decrease the non-current assets.	assets totals in the Statement of Accounts.	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.
<p><b>Impairment/revaluation loss of property, plant and equipment assets</b></p> <p>The Authority has significant investments in property, plant and equipment. The Authority operates a policy of revaluing its Property, Plant, and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. Indexation may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date.</p> <p>Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, thus requiring the book value to be written down to its recoverable amount.</p> <p>Evaluating whether an asset is impaired requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future used.</p>	<p>It is estimated that the revaluation losses would decrease by £152,000 and revaluation gains would increase by £66,000 for every 1% increase in the valuations that were carried out by the valuer during 2024/25.</p> <p>This amount is not considered to be material in relation to the recorded expenses and non-current assets totals in the Statement of Accounts.</p>	<p>Assets are assessed annually for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.</p> <p>Valuations are undertaken by RICS Registered Valuers and prepared in accordance with RICS Valuation Standards.</p> <p>Impairments are reversed if the conditions for impairment are no longer present.</p> <p>The Authority engages an external valuer to undertake the valuation of property annually. Valuations were undertaken at the 31 March 2025.</p>
<p><b>Pension Liability</b></p> <p>The Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the balance sheet, and, indirectly, the period's net pension expense in the Comprehensive Income and Expenditure Statement, the actuaries make a number of critical assumptions affecting these estimates.</p> <p>Most notably, assumptions include a number of judgements and estimations in respect of the expected rate of return on assets, the real discount rate, the rate of increase in salaries, life expectancy, the annual rate of compensation increase and inflation assumptions have a direct and potentially material impact on the amounts presented.</p> <p>The estimate provided by the Fund's actuary of the potential impact of the McCloud/Sargeant ruling is difficult to quantify at this stage and the estimate depends on several key assumptions.</p>	<p>It is estimated that:</p> <p>A £4,615,000 increase in the pension liability would result if the real discount rate was to be decreased by 0.1%.</p> <p>A £12,092,000 increase in the pension liability would result if member life expectancy was increased by 1 year.</p> <p>A £409,000 increase in the pension liability would result if the salary increase rate was increased by 0.1%.</p> <p>A £4,331,000 increase in the pension liability would result if the pension increase rate was increased by 0.1%.</p>	<p>The retirement benefit obligation is assessed annually by the schemes actuary in accordance with IAS 19 'Employee Benefits' and is updated if events have not coincided with the actuarial assumptions made for the last valuation or if the assumptions have changed.</p> <p>The assumptions are set based on advice from the schemes actuaries and experience. The key assumptions used are set out in Note 36.</p> <p>The actuarial methods and advice provided on assumptions used are carried out in accordance with the Pensions Technical Actuarial Standards.</p>

### 5. Material items of income and expense

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

### 6. Events after the Balance Sheet date

The draft Statement of Accounts was authorised for issue on 30<sup>th</sup> June 2025. 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 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



# Notes to the Accounting Statements

## 7. Adjustments between accounting basis and funding basis under regulations

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

2024/25	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
<b>Adjustments to the Revenue Resources:</b>			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs transferred to (or from) the Pensions Reserve	(1,118)	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(39)	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	(43)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,183)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(6,383)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	45	(45)	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	426	-	-
Capital expenditure financed from revenue balances	5,553	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,024</b>	<b>(45)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	45	-
Application of capital grants to finance capital expenditure	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>45</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(359)</b>	<b>-</b>	<b>-</b>

## Notes to the Accounting Statements

2023/24	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
<b>Adjustments to the Revenue Resources:</b>			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements			
Pensions costs transferred to (or from) the Pensions Reserve	(4,169)	-	-
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(63)	-	-
Holiday Pay (transferred to the Accumulated Absences Account)	23	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,130)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(7,339)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	91	(91)	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	393	-	-
Capital expenditure financed from revenue balances	2,558	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,042</b>	<b>(91)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	611	-
Application of capital grants to finance capital expenditure	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>611</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(4,297)</b>	<b>520</b>	<b>-</b>

# Notes to the Accounting Statements

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25.

	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000
Capital Programme	3,895	(2,558)	1,215	2,552	(4,052)	1,500	-
Other Earmarked Grants	6,648	(1,832)	1,661	6,477	(3,029)	3,684	7,132
Unapplied	1,841	(174)	112	1,779	(134)	9	1,654
<b>Total</b>	<b>12,384</b>	<b>(4,564)</b>	<b>2,988</b>	<b>10,808</b>	<b>(7,215)</b>	<b>5,193</b>	<b>8,786</b>

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 Grants Unapplied	Includes IT Strategy, Business Rate Pool, Improvement & Efficiency, Future Foundations, Insurance Fund, People Strategy, Financial Stability, Carry Forwards, Pension Admin and Mobilising Strategy. Grants that have already been recognised within the Comprehensive Income and Expenditure Statement but where the associated expenditure has not yet been incurred. This is primarily for grant related to the national Emergency Services Mobile Communication Programme (ESMCP).

## 9. Other Operating Expenditure

	31 March 2024 £000	31 March 2025 £000
(Gains) on the disposal of non-current assets	(56)	(37)
<b>Total</b>	<b>(56)</b>	<b>(37)</b>

## 10. Financing and Investment Income and Expenditure

	31 March 2024 £000	31 March 2025 £000
Interest payable and similar charges	437	413
Right of Use assets finance charge	-	20
Impairment on financial instruments (under IFRS 9)	(5)	-
Pensions interest cost and expected return on pensions assets	14,326	14,323
Interest receivable and similar income	(875)	(798)
<b>Total</b>	<b>13,883</b>	<b>13,958</b>

## 11. Taxation and Non Specific Grant Income

	31 March 2024 £000	31 March 2025 £000
Council tax income	31,305	32,531
Non domestic rates	8,065	8,655
Revenue support grant	3,662	5,639
Other revenue grants	4,397	5,071
Capital grants and contributions	139	376
<b>Total</b>	<b>47,568</b>	<b>52,272</b>

# Notes to the Accounting Statements

## 12. Property, Plant, and Equipment

Movements in 2024/25:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Right of Use Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000		£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2024</b>	51,499	19,860	445	426*	742	72,972
Additions	4,339	1,810	351	-	326	6,826
Revaluation increases recognised in the Revaluation Reserve	(31)	-	-	-	-	(31)
Revaluation decreases recognised in the Revaluation Reserve	(2,706)	-	(120)	-	-	(2,826)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	(1)	-	-	-	-	(1)
Revaluation decreases recognised in the deficit on the Provision of Services	(2,679)	-	-	-	-	(2,679)
Transfers within PPE	-	433	-	-	(433)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Derecognition – disposals	-	(1,655)	-	-	-	(1,655)
<b>At 31 March 2025</b>	<b>50,421</b>	<b>20,448</b>	<b>676</b>	<b>426</b>	<b>635</b>	<b>72,606</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2024</b>	-	(11,671)	-	-	-	(11,671)
Depreciation charge	(1,761)	(1,277)	-	(46)	-	(3,084)
Depreciation written out to the Revaluation Reserve	1,336	-	-	-	-	1,336
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	179	-	-	-	-	179
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	34	-	-	-	-	34
Transfers within PPE	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Derecognition – disposals	-	1,647	-	-	-	1,647
<b>At 31 March 2025</b>	<b>(212)</b>	<b>(11,301)</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>(11,559)</b>
<b>Net Book Value</b>						
<b>At 31 March 2025</b>	<b>50,209</b>	<b>9,147</b>	<b>676</b>	<b>380</b>	<b>635</b>	<b>61,047</b>
<b>At 31 March 2024</b>	<b>51,499</b>	<b>8,189</b>	<b>445</b>	<b>-</b>	<b>742</b>	<b>60,875</b>

\*Opening balance of Right of Use Assets recognised on implementation of IFRS 16 as at the 1 April 2024.

## Notes to the Accounting Statements

Comparative Movements in 2023/24:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>At 1 April 2023</b>	54,371	19,008	415	697	74,491
Additions	1,553	1,088	136	524	3,301
Revaluation increases recognised in the Revaluation Reserve	428	4	-	-	432
Revaluation decreases recognised in the Revaluation Reserve	(4,588)	-	(106)	-	(4,694)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	9	-	-	-	9
Revaluation decreases recognised in the deficit on the Provision of Services	(274)	-	-	-	(274)
Transfers within PPE	-	479	-	(479)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Derecognition – disposals	-	(719)	-	-	(719)
<b>At 31 March 2024</b>	<b>51,499</b>	<b>19,860</b>	<b>445</b>	<b>742</b>	<b>72,546</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2023</b>	-	(11,198)	-	-	(11,198)
Depreciation charge	(1,844)	(1,195)	-	-	(3,039)
Depreciation written out to the Revaluation Reserve	1,774	3	-	-	1,777
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	54	-	-	-	54
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	16	-	-	-	16
Transfers within PPE	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Derecognition – disposals	-	719	-	-	719
<b>At 31 March 2024</b>	<b>-</b>	<b>(11,671)</b>	<b>-</b>	<b>-</b>	<b>(11,671)</b>
<b>Net Book Value</b>					
<b>At 31 March 2024</b>	<b>51,499</b>	<b>8,189</b>	<b>445</b>	<b>742</b>	<b>60,875</b>
<b>At 31 March 2023</b>	<b>54,371</b>	<b>7,810</b>	<b>415</b>	<b>697</b>	<b>63,293</b>

### Heritage Assets

The Authority has ownership of three heritage assets as follows:

- c1885 Merryweather Steam Pump
- c1925 Merryweather Hatfield fire engine trailer pump
- George IV and later manual fire pump carriage

Specialist valuers have valued these assets at approximately £62,000 in total and the Authority has determined that they should not be brought onto the Balance Sheet.

The Authority had no Intangible, Infrastructure or Community Assets at 31 March 2025.

# Notes to the Accounting Statements

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, 2025/26 to 2029/30, the Authority is planning gross capital expenditure of £26.938m (based on the agreed Capital Asset Strategy and subsequently agreed variations). This is planned to be funded using capital receipts (£1.050m), reserves (£12.249m) and with the need to borrow starting in 2025/26 and totalling £13.639m.

The approved capital programme shows that in 2025/26 the Authority plans to spend £9.553m (£10.904m including slippage of £1.351m from 2024/25), funded by reserves (£2.500m) and external borrowing (£8.404m). Having adjusted for the actual outturn in 2024/25, slippage on projects and for provisions where there is no contractual commitment, the net commitment profiles for schemes in progress at 31 March 2025 are £3.809m in 2025/26.

The Fire Authority had vehicles under construction totalling £0.635m as at 31 March 2025 (£0.742m at 31 March 2024).

## 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.

Right of Use (ROU) assets are held at cost and not formally revalued unless the lease payments are not likely to be reflective of market conditions i.e. peppercorn leases

The following statement shows the progress of the Authority's rolling programme for the revaluation of land and buildings. The valuations are carried out by an external firm of valuers – Flude Commercial (a member of Chartered Surveyors and Town Planners), on behalf of the Authority. The valuation dates are the gross cost as at 31 March in each year. In addition, an annual indexation will be applied to the remaining portfolio (based on those assets that were valued by the valuer in the year) if the values are deemed to be materially different to their carrying value. For 2024/25 the Authority applied indexation of -5.51% on stations up to 500m<sup>2</sup> and -4.39% to stations from 500m<sup>2</sup> to 2,000m<sup>2</sup>, -2.70% to drill towers, 6.37% to garages & workshops and 2.3% to stores components, which was calculated based on the movements over the year in BCIS rates.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000
Valued at historical cost	-	20,420	-	635	21,055
Valued at fair value at 31 March 2025	20,856	-	676	-	21,532
Valued at fair value at 31 March 2024	14,759	19	-	-	14,778
Valued at fair value at 31 March 2023	14,806	9	-	-	14,815
<b>Total</b>	<b>50,421</b>	<b>20,448</b>	<b>676</b>	<b>635</b>	<b>72,180</b>

## Notes to the Accounting Statements

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

There was one property classed as surplus as at 31 March 2025 and one in the previous year. The fair value hierarchy of surplus assets is as follows:

		31 March 2025		
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	-	-	676	676

		31 March 2024		
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	-	-	445	445

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

# Notes to the Accounting Statements

## 13. Financial Instruments

### Categories of Financial Instruments

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

<b>Financial Assets</b>	<b>31 March 2024</b>	<b>31 March 2025</b>
	<b>£000</b>	<b>£000</b>
<b>Fair value through profit or loss</b>		
Short Term Investments and Cash & Cash Equivalents	6,307	7,407
<b>Total</b>	<b>6,307</b>	<b>7,407</b>
<b>Amortised Cost</b>		
Short Term Investments and Cash & Cash Equivalents	8,269	4,968
Short Term Debtors	2,171	1,393
<b>Total</b>	<b>10,440</b>	<b>6,361</b>
<b>Total Financial Assets</b>	<b>16,747</b>	<b>13,768</b>
<b>Non Financial Assets</b>	<b>2,488</b>	<b>2,819</b>
<b>Total</b>	<b>19,235</b>	<b>16,587</b>

<b>Financial Liabilities</b>	<b>31 March 2024</b>	<b>31 March 2025</b>
	<b>£000</b>	<b>£000</b>
<b>Amortised Cost</b>		
Long Term Borrowings	(9,015)	(8,495)
Long Term Creditors*	-	(326)
Short Term Borrowings	(402)	(520)
Short Term Creditors	(4,420)	(2,524)
<b>Total</b>	<b>(13,837)</b>	<b>(11,865)</b>
<b>Total Financial Liabilities</b>	<b>(13,837)</b>	<b>(11,865)</b>
<b>Non Financial Liabilities</b>	<b>(2,145)</b>	<b>(1,867)</b>
<b>Total</b>	<b>(15,982)</b>	<b>(13,732)</b>

\*Long Term Creditors are in respect of the long-term liabilities recognised for Right of Use Assets under IFRS 16

### Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2025 was £7.4m, an increase of £1.1m from the closing balance at 31 March 2024. Financial assets include £7.4m (carrying amount £7.4m) low volatility money market funds (LVNAV).

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

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

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

### Reclassifications

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



# Notes to the Accounting Statements

## Income, Expense, Gains and Losses

	2023/24		2024/25	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net gains/losses on:</b>				
Financial assets measured at fair value through profit or loss – fair value	-	-	-	-
Total net (gains) / losses	-	-	-	-
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(875)	-	(798)	-
<b>Interest expense:</b>				
Financial assets measured at amortised cost	437	-	433	-

## Fair Value

Basis for recurring fair value measurements:

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

## Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/24 £000	As at 31/3/25 £000
<b>Fair Value through Profit or Loss</b>				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	6,307	7,407

## Transfers between Levels of the Fair Value Hierarchy

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

## Changes in the Valuation Technique

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

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

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

# Notes to the Accounting Statements

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

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The fair values calculated are as follows:

### Financial Liabilities

	31 March 2024		31 March 2025	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	(9,417)	(8,841)	(9,341)	(8,455)
Short Term Creditors	(4,420)	(4,420)	(2,524)	(2,524)
<b>Total</b>	<b>(13,837)</b>	<b>(13,261)</b>	<b>(11,865)</b>	<b>(10,979)</b>

The fair value of borrowings is lower than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain, based on economic conditions at 31 March 2025, arising from a commitment to pay interest to lenders below current market rates.

### Financial Assets

	31 March 2024		31 March 2025	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short term investments held at amortised cost	8,058	8,058	6,046	6,046
Short Term Debtors	2,171	2,171	1,393	1,393
Other Cash & Cash Equivalents	211	211	(1,078)	(1,078)
<b>Total</b>	<b>10,440</b>	<b>10,440</b>	<b>6,361</b>	<b>6,361</b>

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

# Notes to the Accounting Statements

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

31 March 2025				
	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
<b>Financial liabilities</b>				
Financial liabilities held at amortised cost	-	(8,455)	-	(8,455)
Short Term Creditors	-	(2,524)	-	(2,524)
<b>Total</b>	-	<b>(10,979)</b>	-	<b>(10,979)</b>
<b>Financial assets</b>				
Financial assets held at amortised cost	-	4,968	-	4,968
Short Term Debtors	-	1,393	-	1,393
<b>Total</b>	-	<b>6,361</b>	-	<b>6,361</b>

31 March 2024				
	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
<b>Financial liabilities</b>				
Financial liabilities held at amortised cost	-	(8,841)	-	(8,841)
Short Term Creditors	-	(4,420)	-	(4,420)
<b>Total</b>	-	<b>(13,261)</b>	-	<b>(13,261)</b>
<b>Financial assets</b>				
Financial assets held at amortised cost	-	8,269	-	8,269
Short Term Debtors	-	2,171	-	2,171
<b>Total</b>	-	<b>10,440</b>	-	<b>10,440</b>

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

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

### Financial Liabilities

- For loans from the PWLB payable, new borrowing (certainty rate) discount rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

### Financial Assets

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

# Notes to the Accounting Statements

## 14. Inventories

	31 March 2024	31 March 2025
	£000	£000
<b>Balance outstanding at start of year</b>	<b>34</b>	<b>84</b>
Purchases	404	458
Recognised as an expense in the year	(354)	(364)
<b>Balance outstanding at year-end</b>	<b>84</b>	<b>178</b>

Stocks shown above are for diesel fuel and workwear (from 31 March 2025).

## 15. Debtors

	31 March 2024	31 March 2025
	£000	£000
<b>Current Debtors</b>		
Government HMRC	274	523
Accounts Receivable debtors	249	135
Collection Fund debtors	2,215	2,295
Other debtors	1,922	1,258
<b>Total</b>	<b>4,660</b>	<b>4,211</b>

There were no long term debtors as at 31 March 2025 or in the previous year.

The Council Tax and NNDR arrears impairment allowance has increased to £2.441m (£2.154m in 2023/24).

Payments in advance increased by £1.097m to £2.460m in 2024/25 (from £1.362m in 2023/24).

## 16. Cash and Cash Equivalents

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

	31 March 2024	31 March 2025	Movement
	£000	£000	£000
Cash in hand	5	5	-
Bank current accounts	1,280	977	(303)
Cash overdrawn	(767)	(653)	114
<b>Total Cash and Cash Equivalents</b>	<b>518</b>	<b>329</b>	<b>(189)</b>

## 17. Assets held for Sale

	2023/24	2024/25
	£000	£000
<b>Balance outstanding at start of year</b>	<b>36</b>	<b>-</b>
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	-	-
Revaluations	-	-
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	-	-
Assets sold	(36)	-
<b>Balance outstanding at year end</b>	<b>-</b>	<b>-</b>

# Notes to the Accounting Statements

## 18. Creditors and Income in Advance

	31 March 2024	31 March 2025
	£000	£000
Government HMRC creditors	596	580
Accounts payable	197	(42)
Collection Fund	1,419	1,484
Right of Use Assets	-	51
Other creditors	4,353	2,644
Income in Advance	559	2,628
<b>Total</b>	<b>7,124</b>	<b>7,345</b>

## 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 £0.109m as at 31 March 2025 which relates to NNDR appeals (£0.167m at 31 March 2024). There was also a long-term provision for £0.081m for outstanding payments as a result of the Norman v Cheshire case in relation to pensionable allowances (£0.084m as at 31 March 2024).

## 20. Usable Reserves

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

	31 March 2024	31 March 2025
	£000	£000
Usable Capital Receipts Reserve	-	-
Earmarked Reserves	9,011	7,133
Earmarked Reserves – Revenue Grants unapplied	1,797	1,653
General Fund balances	2,500	2,792
<b>Total Usable Reserves</b>	<b>13,308</b>	<b>11,578</b>

### 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.

#### Balance at 1 April

Amounts receivable during the year

Amounts applied to finance new capital investment

Net Transfer from the Capital Receipts Reserve

#### Balance at 31 March

	2023/24	2024/25
	£000	£000
	520	-
	91	45
	(611)	(45)
	(520)	-
	-	-

# Notes to the Accounting Statements

## 21. Unusable Reserves

	31 March 2024	31 March 2025
	£000	£000
Revaluation Reserve	24,809	22,460
Capital Adjustment Account	26,649	28,318
Pensions Reserve	(313,409)	(291,185)
Collection Fund Adjustment Account	133	95
Accumulated Absences Account	(161)	(204)
<b>Total Unusable Reserves</b>	<b>(261,979)</b>	<b>(240,516)</b>

### 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.

	2023/24	2024/25
£000	£000	£000
<b>Balance at 1 April</b>	<b>28,301</b>	<b>24,809</b>
Upward revaluation of assets	1,076	350
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,537)	(1,837)
Reversal of previous years revaluation losses	(25)	(34)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,486)	(1,521)
Difference between fair value depreciation and historical cost depreciation	(970)	(828)
Accumulated gains on assets sold or scrapped	(36)	-
Amount written off to the Capital Adjustment Account	(1,006)	(828)
<b>Balance at 31 March</b>	<b>24,809</b>	<b>22,460</b>

### Capital Adjustment Account

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

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

## Notes to the Accounting Statements

### Balance at 1 April

#### 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

Revaluation losses on Property, Plant and Equipment

Revaluation loss reversals on Property, Plant and Equipment

Revenue expenditure funded from capital under statute

Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Adjusting amounts written out of the Revaluation Reserve

Net written out amount of the cost of non-current assets consumed in the year

#### Capital financing applied in the year

Use of the Capital Receipts Reserve to finance new capital expenditure

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing

Application of grants to capital financing from the Capital Grants Unapplied Account

Statutory provision for the financing of capital investment charged against the General Fund

Capital expenditure charged against the General Fund

Donated assets

### Balance at 31 March

2023/24	2024/25	
£000	£000	£000
25,211		26,649
(3,039)	(3,084)	
(219)	(2,500)	
25	33	
-	-	
(36)	(8)	
(3,269)		(5,559)
1,006	828	
(2,263)		(4,731)
611	45	
139	351	
-	25	
393	426	
2,558	5,553	
3,701		6,400
-	-	
26,649		28,318

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

### Balance at 1 April

Actuarial gains/losses on pensions assets and liabilities

Reversal of items relating to retirement benefits credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

Employer's pensions contributions and direct payments to pensioners payable in the year

### Balance at 31 March

2023/24	2024/25
£000	£000
(305,357)	(313,409)
(3,883)	23,342
(17,968)	(19,043)
13,799	17,925
(313,409)	(291,185)

# Notes to the Accounting Statements

## Collection Fund Adjustment Account

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

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

	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	<b>197</b>	<b>134</b>
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	(74)	(134)
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	11	95
<b>Balance at 31 March</b>	<b>134</b>	<b>95</b>

## 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.

	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	<b>(184)</b>	<b>(161)</b>
Settlement or cancellation of accrual made at the end of the preceding year	184	161
Amounts accrued at the end of the current year	(161)	(204)
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	23	(43)
<b>Balance at 31 March</b>	<b>(161)</b>	<b>(204)</b>



# Notes to the Accounting Statements

## 22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2023/24	2024/25
	£000	£000
Net deficit on the provision of services	4,930	2,088

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

Depreciation	(3,039)	(3,084)
Impairment and downward valuations	(195)	(2,466)
(Increase) / decrease in interest creditors	(209)	211
(Increase) in creditors	(386)	(379)
Increase in debtors	471	650
Decrease in interest debtors	21	(11)
Increase in stock	50	94
Pension Liability	(4,168)	(1,119)
Contributions from provisions	-	61
Carrying amount of PPE sold	(36)	(8)
<b>Total</b>	<b>(7,491)</b>	<b>(6,051)</b>

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

Capital Grants and Contributions credited to deficit on provision of services	139	376
Proceeds from the Sale of PPE	92	45
<b>Total</b>	<b>231</b>	<b>421</b>

**Net cash flows from operating activities**

<b>2,330</b>	<b>3,542</b>
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The cash flows for operating activities include the following items:

	2023/24	2024/25
	£000	£000
Interest received	(853)	(809)
Interest paid	228	644

## 23. Cash Flow Statement – Investing Activities

	2023/24	2024/25
	£000	£000
Purchase of property, plant and equipment	3,301	6,825
Capital grants received	(139)	(1,500)
Purchase of short and long term investments	16,000	11,000
Proceeds from short and long term investments	(14,000)	(13,000)
Proceeds from the sale of property, plant and equipment	(92)	(45)
<b>Net cash flows from investing activities</b>	<b>5,070</b>	<b>3,280</b>

# Notes to the Accounting Statements

## 24. Cash Flow Statement – Financing Activities

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

	2023/24	2024/25
	£000	£000
Repayment of Short-Term and Long-Term Borrowing	400	402
Payments for the reduction of a finance lease liability	-	49
<b>Net cash flows from financing activities</b>	<b>400</b>	<b>451</b>

### Reconciliation of liabilities arising from Financing Activities

	1 April 2024*	Financing cash Flows	Non cash changes	31 March 2025
	£000	£000	£000	£000
Long Term borrowing	9,015	-	(520)	8,495
Short term borrowing	402	(402)	520	520
Liabilities for Right of Use Assets	426	(49)	-	377
<b>Total liabilities from financing activities</b>	<b>9,843</b>	<b>(451)</b>	<b>-</b>	<b>9,392</b>

	1 April 2023	Financing cash Flows	Non cash changes	31 March 2024
	£000	£000	£000	£000
Long Term borrowing	9,417	-	(402)	9,015
Short term borrowing	400	(400)	402	402
<b>Total liabilities from financing activities</b>	<b>9,817</b>	<b>(400)</b>	<b>-</b>	<b>9,417</b>

\*Opening balance at 1 April 2024 has been restated to include the liabilities recognised on transition to IFRS 16 for Right of Use assets.

# Notes to the Accounting Statements

## 25. Notes to the Expenditure and Funding Analysis

### East Sussex Fire Authority departments and responsibilities –

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

East Sussex Fire and Rescue Service is managed by its board or Senior Leadership Team (SLT) comprising three Principal Officers, five assistant directors and one area manager (temporary). The role of the Chief Fire Officer is to deliver the strategic aims and objectives on behalf of the Fire Authority and they are supported by SLT who deliver services to local communities, and the necessary support functions, through the following directorates:

- Service Delivery – comprising:
  - o Response and Risk Reduction
  - o Operational Support and Resilience
- Service Planning and Assurance – comprising:
  - o Resources / Treasurer
  - o Digital, Technology and Change
  - o People Services

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

The Expenditure and Funding Analysis demonstrates how the funding available to the Authority for the year 2024/25 has been used to provide services and this note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

### Adjustments between Funding and Accounting Basis

2024/25				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
People Services	-	(35)	(3)	(38)
Resources/Treasurer	4,282	102	11	4,396
Response & Risk Reduction	1	(13,044)	(21)	(13,064)
Digital, Technology & Change	1	76	(2)	75
Operational Support & Resilience	1,265	(256)	57	1,066
Corporate	-	(49)	2	(47)
<b>Net Cost of Services</b>	<b>5,549</b>	<b>(13,206)</b>	<b>44</b>	<b>(7,612)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(6,391)</b>	<b>14,323</b>	<b>39</b>	<b>7,971</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(842)</b>	<b>1,117</b>	<b>83</b>	<b>359</b>

# Notes to the Accounting Statements

2023/24 (Restated)				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
People Services	1	(600)	9	(590)
Resources/Treasurer	2,044	23	(10)	2,057
Response & Risk Reduction	-	(9,264)	(1)	(9,265)
Digital, Technology & Change	-	19	(3)	16
Operational Support & Resilience	1,188	(339)	(16)	833
Corporate	-	4	(1)	3
<b>Net Cost of Services</b>	<b>3,233</b>	<b>(10,157)</b>	<b>(22)</b>	<b>(6,946)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(3,146)</b>	<b>14,326</b>	<b>63</b>	<b>11,243</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>87</b>	<b>4,169</b>	<b>41</b>	<b>4,297</b>

\* The 2023-24 figures have been restated due to internal restructure which resulted in the creation of new directorates.

## Adjustments for Capital Purposes

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

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

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

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

## Net Change for the Pensions Adjustments

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

## Other Differences

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

## Notes to the Accounting Statements

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

	2023/24 Restated £000	2024/25 £000
<b>Income from Services</b>		
People Services	(17)	(33)
Resources/Treasurer	(85)	(83)
Response & Risk Reduction	(516)	(507)
Digital, Technology and Change	(47)	(165)
Operational Support & Resilience	(235)	(155)
Corporate	(4)	(109)
<b>Total income analysed on a segmental basis</b>	<b>(904)</b>	<b>(1,052)</b>

\* The 2023-24 figures have been restated due to internal restructure which resulted in the creation of new directorates.

### B. Expenditure and Income is analysed by nature below:

	2023/24 £000	2024/25 £000
<b>Expenditure</b>		
Employee benefits expenses	34,671	36,690
Other services expenses	16,147	13,659
Support service recharges	574	491
Depreciation, amortisation, impairment	3,228	5,549
Interest payments	437	413
(Gain) on the disposal of assets	(56)	(37)
<b>Total expenditure</b>	<b>55,001</b>	<b>56,765</b>
<b>Income</b>		
Fees, charges and other service income	(904)	(1,052)
Interest and investment income	(875)	(798)
Income from council tax and non-domestic rates	(39,369)	(41,186)
Government grants and contributions	(8,923)	(11,641)
<b>Total income</b>	<b>(50,071)</b>	<b>(54,677)</b>
<b>Deficit on the Provision of Services</b>	<b>4,930</b>	<b>2,088</b>

## 26. Members' Allowances

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

	2023/24 £000	2024/25 £000
Allowances	76	77
Expenses	-	1
<b>Total</b>	<b>76</b>	<b>78</b>

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

# Notes to the Accounting Statements

## 27. Officers' Remuneration

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

### Senior Employees Remuneration

2024/25	Note	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Mrs Dawn Whittaker (Chief Fire Officer & Chief Executive)	1	130,330	-	-	-	50,437	180,767
Mr Mark Matthews (Chief Fire Officer & Chief Executive)	2	41,812	-	-	-	15,721	57,533
Assistant Chief Fire Officer	2	96,600	-	-	-	36,322	132,922
Assistant Chief Fire Officer	3	29,802	-	-	-	11,206	41,008
Deputy Chief Fire Officer		137,708	-	-	-	51,779	189,487
Assistant Director Resources/Treasurer		90,205	-	-	-	17,469	107,674
Assistant Director - Safer Communities		86,305	-	-	-	32,451	118,756
Assistant Director People Services	4	38,376	-	-	-	14,430	52,806
Assistant Director People Services	5	58,879	-	-	-	22,111	80,990
Area Manager Protection		78,623	-	-	-	29,577	108,200
Assistant Director Operational Support and Resilience	3	64,017	-	-	-	24,071	88,088
Assistant Director Planning and Improvement	6	33,182	-	-	-	6,454	39,636
Assistant Director Digital, Technology & Change	7	24,798	-	-	-	4,823	29,621

#### Notes:

1. Left on 31/12/2024.
2. In Assistant Chief Fire Officer role until 31/12/2024, then appointed to Chief Fire Officer & Chief Executive from 01/01/2025. Total earnings for the year were £138,412 and total employer contributions were £52,043.
3. In Assistant Director Operational Support & Resilience role until 31/12/2024, then appointed to Assistant Chief Fire Officer from 01/01/2025. Total earnings for the year were £93,819 and total employer contributions were £35,277.
4. Left on 12/09/2024.
5. In post from 15/09/2024. Total earnings for the year were £79,963 and total employer contributions were £30,039.
6. Left on 17/09/2024.
7. In post from 02/12/2024.

2023/24	Note	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (incl. Benefit in Kind) £	Compensation of Loss of Employment £	Employers Pension Contribution £	Total £
Mrs Dawn Whittaker (Chief Fire Officer & Chief Executive)	1	180,556	-	-	-	51,925	232,481
Deputy Chief Fire Officer	1	140,723	-	-	-	40,528	181,251
Assistant Chief Fire Officer	1	132,058	-	-	-	38,033	170,091
Assistant Director Resources/Treasurer		88,495	-	-	-	17,138	105,633
Assistant Director - Safer Communities	1	83,064	-	-	-	23,845	106,909
Assistant Director Operational Support and Resilience	1	83,058	-	-	-	23,845	106,903
Assistant Director People Services	1	82,150	-	-	-	23,659	105,809
Area Manager Protection	1-2	73,553	-	-	-	21,162	94,715

## Notes to the Accounting Statements

### Notes:

1. Employees conditioned to Gold and Grey Books received arrears of pay for pay awards relating to prior years that were paid in 2023/24.
2. Previously in Group Manager Protection role until 29/02/2024, figures shown above are total remuneration for year. Area Manager Protection role specific remuneration for 2023-24 was £6,371 and employer pension contribution £1,835.

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	2023/24	2024/25
	Number of employees	Number of employees
£50,000 to £54,999	35	47
£55,000 to £59,999	26	39
£60,000 to £64,999	32	27
£65,000 to £69,999	5	13
£70,000 to £74,999	6	7

Please note that the data shown above is the total earnings per employee and in some instances will be an aggregated total of earnings across multiple employment roles.

### 28. Exit Packages

Reporting of the Authority and other compensation schemes - Exit Packages

2024/25	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
Exit package cost band						
less than £20,000	1	15	2	17	3	32
£20,000 to £39,999	1	21	0	0	1	21
<b>Total</b>	<b>2</b>	<b>36</b>	<b>2</b>	<b>17</b>	<b>4</b>	<b>53</b>

2023/24	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
Exit package cost band						
less than £20,000	5	27	3	14	8	41
£20,000 to £39,999	-	-	1	33	1	33
<b>Total</b>	<b>5</b>	<b>27</b>	<b>4</b>	<b>47</b>	<b>9</b>	<b>74</b>

# Notes to the Accounting Statements

## 29. External Audit Costs

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

	2023/24 £000	2024/25 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	94	105
Local Audit Fees Grant	-	(26)
Additional charge relating to prior year audit work	(9)	-
<b>Total</b>	<b>85</b>	<b>79</b>

## 30. Grant Income

The Authority credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement.

	2023/24 £000	2024/25 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
National Non Domestic Rates	8,065	8,655
Revenue Support Grant	3,662	5,639
Fire Pension Grant	1,735	-
Business Rates Relief section 31 Grants	2,174	2,464
Services Grant	314	54
Capital Grants & Contributions recognised	139	376
Other Revenue Grants	174	2,553
<b>Total</b>	<b>16,263</b>	<b>19,741</b>
<b>Credited to Services</b>		
New Dimensions Grant	34	34
Firelink Grant	144	96
Protection Uplift Grant	358	295
Pension Grant	-	1,363
Pension Admin Grant	-	96
Strategic Review of Training	39	-
Direct Entrant Training	23	-
Redmond Review Grant	-	-
Apprenticeship Grant	128	35
<b>Total</b>	<b>726</b>	<b>1,919</b>

As at 31 March 2024 the Authority was holding a Revenue grant for £0.025m from the Environment Agency that had conditions attached to it as a receipt in advance. The conditions for the grant were met in 2024/25 and it has been recognised accordingly.



## 31. Related Parties

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

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in Note 30. Grant receipts in advance at 31 March 2025 are shown in Note 30.

### East Sussex County Council

East Sussex County Council provides financial services to the Authority. The arrangement has been in operation since 1997. The services provided include accounts payable, accounts receivable, payroll, treasury management, accountancy and internal audit. The cost of these services was £0.258m for 2024/25 (£0.248m for 2023/24).

### Brighton & Hove City Council

Brighton & Hove City Council provide legal services and the Monitoring Officer to the Fire Authority and have done so since 1997. The cost of these services was £0.108m for 2024/25 (£0.122m for 2023/24).

### Fire & Rescue Indemnity Company Limited

From 1 April 2019 the Authority has been a member of the Fire and Rescue Indemnity Company Limited (FRIC) along with a number of other fire & rescue services. The company began trading in November 2015 and is a hybrid discretionary mutual. The Authority's risk protection arrangements are provided through the pooled fund of the company. During 2024/25 the Authority made a contribution of £0.421m to the company for the year ending 31 October 2025 with £0.171m of this treated as an expense in 2024/25 the Assistant Director Resources / Treasurer is a Member Director of FRIC.

### National Fire Chief's Council (NFCC)

The NFCC is an independent membership association and the professional voice of the UK fire & rescue services (FRS). All UK FRS are NFCC Professional Partners, represented within the NFCC by their Chief Fire Officer. FRS employees at area manager (and equivalent) and above can join as individual members. During 2024/25 the Authority paid a membership fee of £0.053m to NFCC (£0.050m for 2023/24).

### West Yorkshire Pension Fund (WYPF)

WYPF provides pension administration services to the Fire Authority (as scheme manager) in relation to the Firefighter's Pension Scheme. This arrangement has been in place since April 2020. The cost of these services was £0.033m in 2024/25 (£0.031m in 2023/24).

### Members and Senior Officers

Members of the Fire Authority have direct control over the Authority's financial and operating policies. None of the Members or Senior Officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at Fire HQ, Lewes, and is open to public inspection. The total of members' allowances paid in 2024/25 is shown in Note 26.

# Notes to the Accounting Statements

## 32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under IFRS 16 for Right of Use (ROU) assets 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.

	2023/24 £000	2024/25 £000
<b>Opening Capital Financing Requirement</b>	<b>9,817</b>	<b>9,417</b>
Opening adjustment for IFRS 16 adoption	-	426
<b>Capital Investment</b>		
Property, Plant and Equipment	3,301	6,826
<b>Sources of Finance</b>		
Capital receipts	(611)	(45)
Government grants & other contributions	(139)	(376)
<b>Sums set aside from revenue</b>		
Direct Revenue contributions	(2,558)	(5,553)
Minimum Revenue Provision	(393)	(377)
Minimum Revenue Provision on ROU Assets		(49)
<b>Closing Capital Financing Requirement</b>	<b>9,417</b>	<b>10,269</b>

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.

	2023/24 £000	2024/25 £000
<b>Explanation of movements in year</b>		
Movement in underlying need to borrowing (unsupported by government financial assistance)	(400)	852
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(400)</b>	<b>852</b>

## 33. Leases

### Authority as Lessee

#### Right of Use Assets

This table shows the change in the value of right-of-use assets held under leases:

	Land & Buildings £000	Vehicles, plant & equipment £000	Total £000
<b>Balance at 1 April 2024</b>	<b>419</b>	<b>7</b>	<b>426</b>
Additions	-	-	-
Revaluations	-	-	-
Depreciation and amortisation	(44)	(2)	(46)
Disposals	-	-	-
<b>Balance at 31 March 2025</b>	<b>375</b>	<b>5</b>	<b>380</b>

The Authority leases the office space at the Sussex Police HQ site in Lewes and leases some photocopiers.

#### Transactions under leases

# Notes to the Accounting Statements

The Authority incurred the following expenses and cash flows in relation to leases:

31 March 2025

## Comprehensive income and expenditure statement

Interest expense on lease liabilities	20
Expense relating to short-term leases	-
Expense relating to exempt leases of low-value items	33

## Cash flow statement

Minimum lease payments	49
------------------------	----

There are no prior year comparator figures shown above due to the implementation of IFRS 16 only taking effect from 1 April 2024. In 2023/24 the total in year expenditure on operating leases was £0.267m which was all charged to the Comprehensive Income and Expenditure Statement.

## Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	31 March 2024 Restated £000	31 March 2025 £000
Not later than one year	86	98
Later than one year and not later than five years	305	285
Later than five years	199	111
<b>Total</b>	<b>590</b>	<b>493</b>

The 31 March 2024 figures have been restated to reflect updated information available on the lease payment amounts.

## Authority as Lessor

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

**Operating Leases** – The Authority leases out Property, Plant and Equipment under operating leases in relation to space on its aerial masts and space at Fire Stations and received £0.045m in 2024/25 (£0.076m in 2023/24).

The future minimum lease payments receivable in future years are:

	31 March 2024 £000	31 March 2025 £000
Not later than one year	41	43
Later than one year and not later than five years	164	156
Later than five years	25	-
<b>Total</b>	<b>230</b>	<b>199</b>

## 34. Impairment and Revaluation Losses

During 2024/25 there was £2.500m of revaluation losses recognised in the Cost of Services (£0.220m loss in 2023/24).

# Notes to the Accounting Statements

## 35. Defined Benefits Pension Schemes

### Participation in Pension Schemes

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

The Accounting Policies note explains that the Authority participates in four schemes, the 1992 Firefighter's Pension Scheme, the 2006 Firefighter's Pension Scheme, the 2015 Firefighter's Pension Scheme and the Local Government Pension Scheme. The 1992 Firefighter's Pension Scheme and 2006 Firefighter's Pension Scheme are now closed, and all members have transferred to the 2015 Firefighter's Pension Scheme.

The Firefighters' Pension Scheme is a national scheme but is managed locally and administered on behalf of the Authority by West Yorkshire Pension Fund (WYPF) 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 76 to 78. 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	
2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
1,305	1,252	2,315	2,870
		22	39
-	-	-	-
(384)	(65)	14,710	14,947
<b>921</b>	<b>1,187</b>	<b>17,047</b>	<b>17,856</b>
(1,761)	1,932	-	-
(526)	(111)	334	(134)
(1,279)	6,398	(4,849)	(36,426)
173	(96)	727	13,253
11,064	4,638	-	-
<b>7,671</b>	<b>12,761</b>	<b>(3,788)</b>	<b>(23,307)</b>
<b>8,592</b>	<b>13,948</b>	<b>13,259</b>	<b>(5,451)</b>
(921)	(1,187)	(17,047)	(17,856)
1,141	1,164	12,658	16,761

### Comprehensive Income and Expenditure Statement

Cost of Services:

Service Cost Comprising:

- Current service cost
- Past service costs
- (Gain)/loss from settlements

Financing and Investment Income and Expenditure

Net interest expense

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

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

Re-measurement of the net defined benefit liability comprising:

- Return on plan assets (excluding the amount included in the net interest expense)
- Actuarial gains and losses arising on changes in demographic assumptions
- Actuarial gains and losses arising on changes in financial assumptions
- Other (if applicable)
- Changes in effect of asset ceiling

**Total taken to Other Comprehensive Income and Expenditure**

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

### Movement in Reserves Statement

- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to the scheme

# Notes to the Accounting Statements

## 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:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Present value of the defined benefit obligations:</b>					
Local Government Pension Scheme	(71,841)	(66,757)	(47,601)	(48,251)	(43,716)
Firefighters Pension Schemes	(469,643)	(461,780)	(312,689)	(313,290)	(291,078)
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>53,037</b>	<b>55,625</b>	<b>54,933</b>	<b>59,196</b>	<b>59,870</b>
<ul style="list-style-type: none"> <li>Changes in effect of asset ceiling</li> </ul>	-	-	-	(11,064)	(16,261)
<b>Surplus / (Deficit) in the scheme:</b>					
Local Government Pension Scheme	(18,804)	(11,132)	7,332	(119)	(107)
Firefighters Pension Schemes	(469,643)	(461,780)	(312,689)	(313,290)	(291,078)
<b>Total</b>	<b>(488,447)</b>	<b>(472,912)</b>	<b>(305,357)</b>	<b>(313,409)</b>	<b>(291,185)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £334.8m (£361.5m in 2023/24) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £291.2m (£313.4m in 2023/24).

For 2024/25 the fair value of LGPS plan assets exceeded the obligations balance, however as the net surplus cannot be realised by the Authority either through refunds or by reducing future employer contributions, the Actuary has applied an asset ceiling under IFRIC 14 to limit the value of the asset within the accounts.

## Assets and Liabilities in Relation to Post-employment Benefits

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

#### Opening balance at 1 April:

Current Service Cost	
Interest Cost	
Contributions by scheme participants	
Re-measurement (gains) and losses:	
<ul style="list-style-type: none"> <li>Actuarial gains/losses arising from changes in demographic assumptions</li> <li>Actuarial gains/losses arising from changes in financial assumptions</li> <li>Other</li> </ul>	
Past Service Cost	
Benefits paid	
Liabilities extinguished on settlements	
Unfunded Benefits paid	
<b>Closing balance at 31 March:</b>	

Local Government Pension Scheme		Firefighters Pension Schemes	
2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
47,601	48,251	312,689	313,290
1,228	1,152	2,315	2,870
2,254	2,358	14,710	14,947
415	419	2,128	2,147
(526)	(111)	334	(134)
(1,279)	(6,398)	(4,849)	(36,426)
173	(96)	727	13,253
30	49	22	39
(1,631)	(1,897)	(14,373)	(18,483)
-	-	-	-
(14)	(11)	(413)	(425)
<b>48,251</b>	<b>43,716</b>	<b>313,290</b>	<b>291,078</b>

# Notes to the Accounting Statements

## Reconciliation of fair value of the scheme assets:

### Opening fair value of scheme asset at 1 April:

Interest Income

Re-measurement gain/(loss):

- The return on plan assets, excluding the amount included in the net interest expense
- Other

The effect of changes in foreign exchange rates

Contributions from employer

Contributions from employees into the scheme

Benefits paid

Settlement prices received/(paid)

Other

### Closing fair value of scheme assets at 31 March:

Local Government Pension Scheme		Firefighters Pension Schemes	
2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
54,933	59,196	-	-
2,638	2,982	-	-
1,761	(1,932)	-	-
-	-	-	-
-	-	-	-
1,141	1,164	12,658	16,761
415	419	2,128	2,147
(1,645)	(1,908)	(14,373)	(18,483)
-	-	-	-
(47)	(51)	(413)	(425)
59,196	59,870	-	-

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 total return on LGPS fund assets for the year to 31 March 2025 was £1.05m (2023/24: a return of £4.4m).

### Local Government Pension Scheme assets comprised:

#### Cash and cash equivalents:

#### Indexed Linked Government Securities:

#### Corporate bonds:

#### Private equity:

#### Property:

#### Net current assets:

#### Others:

- Absolute return portfolio
- Equities
- Infrastructure
- Other

#### Sub-total Others

#### Total assets

Fair value of scheme assets 2023/24 £000	%	Fair value of scheme assets 2024/25 £000	%
1,184	2	1,197	2
1,776	3	4,191	7
5,328	9	5,987	10
4,736	8	4,191	7
4,736	8	3,592	6
592	1	-	-
13,023	22	8,981	15
25,454	43	26,342	44
1,776	3	4,790	8
592	1	599	1
40,845	69	40,712	69
59,196	100	59,870	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 Barnett Waddingham, an independent firm of actuaries, based on the calculations in the latest full valuation of the Local Government Pension Scheme as at 31 March 2022, and at 31 March 2025 for the Firefighters Pensions Schemes, and then rolled forward to the Balance Sheet date allowing for the different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Schemes	
	2023/24	2024/25	2023/24	2024/25
<b>Mortality assumptions:</b>				
<b>Longevity for current pensioners:</b>				
• Men	20.9	20.9	20.6	20.5
• Women	23.8	23.8	23.2	23.3
<b>Longevity for future pensioners:</b>				
• Men	21.9	21.9	21.9	21.9
• Women	25.4	25.4	24.6	24.7
Rate of increase in salaries	2.85%	2.95%	3.90%	3.90%
Rate of increase in pensions	2.85%	2.95%	2.90%	2.90%
Rate for discounting scheme liabilities	4.95%	5.85%	4.90%	5.75%

## Notes to the Accounting Statements

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

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

Future pensioners assume retiring in 20 years

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

### Change in assumptions at 31 March 2025:

#### Local Government Pension Scheme

0.1% decrease in Real Discount Rate

1 year increase in member life expectancy

0.1% increase in the Salary Increase Rate

0.1% increase in the Pension Increase Rate

#### Firefighters Pension Schemes

0.1% decrease in Real Discount Rate

1 year increase in member life expectancy

0.1% increase in the Salary Increase Rate

0.1% increase in the Pension Increase Rate

Impact on the Defined Benefit Obligation in the Scheme	
Increase in present value of total obligation	Increase in projected service cost
£000	£000
715	29
1,469	35
42	-
693	31
3,900	98
10,623	100
367	-
3,638	101

### 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 2022 the actuary reported a funding level of 123%. Funding levels are monitored on an annual basis. The next triennial valuation of the Local Government Pension Scheme is due to be completed 31 March 2025.

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £291.1m (£0.1m Local Government Pension Scheme and £291.0m 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 2025/26 the Authority anticipates paying £1.282m contributions to the Local Government Pension scheme, £6.490m towards the Firefighters Pension schemes.

### McCloud/Sargeant ruling

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The Government has confirmed the final remedy in response to the case (4 February 2021).

Firefighter's Pension Scheme - The actuary has made an allowance in line with the Government's final remedy. In the actuary has estimated for eligible members, whether the rolled back legacy benefits or the alternative CARE benefits accrued during the remedy period are likely to be the most valuable and has assumed that the most valuable benefits will be those that are chosen to be put into payment at retirement.

Local Government Pension Scheme – an estimated McCloud judgement allowance has been built into the formal valuation results, so the impact continues to be included within the balance sheet at 31 March 2025).

# Notes to the Accounting Statements

## **Court of Justice of the European Union ruling in O'Brien Case**

On 7 November 2018, the Court of Justice of the European Union (CJEU) ruled in favour of Mr O'Brien in a case concerning discrimination against part-time judges in the calculation of pensions. The ruling concluded that service prior to 7 April 2000 (the deadline for the Part-Time Workers Directive (PTWD) being transposed into UK law) must be taken into account under the PTWD for the purpose of calculating retirement pension.

A remedy was put in place by Government, which involves a second options exercise for those eligible, this exercise is not yet complete and therefore it has not been possible to calculate an estimate for the past service liability arising as a result of any additional pension entitlements.

## **Goodwin Case**

Following a case involving the Teachers' Pension Scheme, known as the Goodwin case, differences between survivor benefits payable to member with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes and the Government has confirmed that a remedy will be required in all affected public sector pension schemes. The actuary has not made allowance for the potential impact of this decision as they do not have enough information to make an accurate estimate of the potential impact on the defined benefit liabilities. However, they expect the impact to be minimal on both the Fire and local government schemes and therefore have made no adjustment

## **Virgin Media Ltd / NTL Pension Trustees II Limited Case**

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, at this stage East Sussex Fire Authority does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

## **36. Contingent Liabilities**

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

### **McCloud / Sargeant Case**

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes (FPS) were unlawful on the grounds of age discrimination. The Government has now confirmed the final remedy in response to the case and primary legislation is now in place to allow remedy to be applied from 1 October 2023. Although the Government has provided a Pension Grant in 2024/25 to offset the impact of the remedy on employer's contributions to the FPS, it is likely that the Authority may incur other additional costs in the future as a result of this case for example through tax or other liabilities for payments made to Scheme Members under the agreed remedy. At this stage it is not possible to quantify what these costs might be or whether they will be incurred.

## **37. Contingent Assets**

The Authority had no Contingent Assets as at 31 March 2025.

## **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 8 February 2024 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2024/25 was set at £21.6 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £19.60 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.

### 1. Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimized through the Treasury Management Strategy, which is available on the authority's website.

### Credit Risk Management Practices

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

The Treasury Management Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Treasury Management Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the authority at 31 March 2025 are detailed below:

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

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

# Notes to the Accounting Statements

The MUFG 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 £6.0m per Counterparty 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 2025 that this was likely to crystallise.

## Amounts Arising from Expected Credit Losses (ECL)

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

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2024	1	-	2	3
Change in credit loss	-	-	-	-
Closing balance 31 March 2025	1	-	2	3

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

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

## 2. Liquidity risk

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

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

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

	2023/24	2024/25
	£000	£000
Less than one year (current assets)	16,499	13,633
Between one and two years	-	-
	<b>16,499</b>	<b>13,633</b>

## 3. Refinancing and Maturity Risk

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

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

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

# Notes to the Accounting Statements

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

	Approved Minimum Limit	Approved Maximum Limit	2023/24	2024/25
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	4,822	3,044
Between one and two years	0%	40%	520	550
Between two and five years	0%	60%	1,700	1,695
Between five and ten years	0%	80%	2,395	2,400
More than ten years	0%	80%	4,400	3,850
			<b>13,837</b>	<b>11,539</b>

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

## 4. 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 2024/25 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	74
Impact on Surplus or Deficit on the Provision of Services	<b>74</b>

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.074 million (£0.063 million at 31 March 2024) represents the immediate impact on the Authority's investments that are on variable rate but ignores the impact of overnight and short-term fixed rate investments.

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

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

# Firefighters' Pension Fund Accounts

## Introduction

The Firefighters' Pension Scheme open 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. Any outstanding balance based on the final outturn position will be paid over to the Fire Authority after the year end accounts are finalised.

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

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

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

# Firefighters' Pension Fund Accounts

## Fund Account

2023/24 £000		2024/25 £000
	<b>Contributions Receivable:</b>	
(4,665)	Contributions in relation to pensionable pay	(6,115)
(6,411)	Top up grant received	(10,325)
(196)	Ill Health charges	(305)
(2,128)	Firefighters contribution	(2,147)
(13,400)		(18,892)
(123)	Transfers in from other authorities	(28)
	<b>Benefits Payable:</b>	
12,438	Pensions	13,599
1,634	Commutations and Lump Sum Retirement Benefits	4,819
-	Lump Sum Death Benefits	3
175	Other payments	64
14,247		18,485
	<b>Payments to and on account of leavers:</b>	
241	Transfers out to other authorities	-
241		-
965	Net amount Payable / (Received) for year	(435)
(965)	Top up grant payable to / (receivable from) the government	435
-		-

## Net Assets Statement

31 March 2024 £000		31 March 2025 £000
	<b>Current Assets:</b>	
-	Contributions due from fire authority	-
-	Recoverable overpayments of pensions	-
965	Top-up grant receivable from the government	-
-	Cash and Cash Equivalents	435
	<b>Current Liabilities:</b>	
(965)	Cash overdrawn	-
-	Unpaid pensions benefits	-
-	Amount of grant payable to the government	(435)
-		-

# Firefighters' Pension Fund Accounts

## 1. Employer Contributions

The Fire Authority bore pension contributions as the employer, totalling £6.115m (£4.665m 2023/24) representing 37.6% of pensionable pay for firefighters.

In addition to normal employer's contributions, ill-health charges of £0.305m (£0.196m in 2023/24) and injury portions of pensions totalling £0.425m (£0.413m in 2023/24) 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 Government is accounted for through the Firefighters pension fund account under the Firefighters Pension Regulations 2006. It does not impact on the Authority's comprehensive income and expenditure statement.

## 3. IAS 19 Employee Benefits

Details of the Actuarial Valuation are included within Note 35 to the Fire Authority statements.

## **Accruals**

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

## **Actuarial Gains and Losses**

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

## **Actuarial Valuation**

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

## **Admitted Bodies**

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

## **Amortisation**

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

## **Bad Debt Provision**

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

## **Balances**

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

## **Business Rates Retention**

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

## **Capital / Capital Expenditure / Capital Receipts**

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

## **Cash Equivalents**

These are investments, which amount to short term deposits.

## **Community Assets**

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

## **Corporate and Democratic Core (CDC)**

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

## **Contingent Assets and Liabilities**

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

## **Corporate Management (CM)**

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

## **Creditors**

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

## **Curtailments**

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

## **Debtors**

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

## **Defined Benefit and Contribution Pension Schemes**

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

## **Democratic Representation and Management (DRM)**

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

## **Depreciation**

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

## **Fair value**

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

## **General Fund**

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

## **Going Concern**

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

## **Heritage Assets**

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

## **Impairment**

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

## **Intangible Assets**

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

## **IFRS and IAS**

International Financial Reporting Standards and International Accounting Standards

## **Leasing**

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

## **Minimum Revenue Provision**

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

## **Net Book Value (NBV)**

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

## **Net Worth**

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



## **Non-Distributed Costs**

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

## **Non-Domestic Rates**

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

## **Post Balance Sheet Events**

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

## **Prior Period Adjustments**

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

## **Private Equity**

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

## **Property, Plant and Equipment (PPE)**

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

## **Provisions**

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

## **Public Works Loan Board (PWLb)**

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

## **Related Parties**

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

## **Reserves**

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

## **Revenue**

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

## **Revenue Expenditure Funded from Capital Under Statute**

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

## **Unusable Reserves**

This includes 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).