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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 29 June 2016 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

IF YOU HAVE ANY QUERIES REGARDING THE AGENDA PAPERS OR REQUIRE ANY FURTHER INFORMATION PLEASE INITIALLY CONTACT DIANE BROOKS ON TELEPHONE NUMBER PRESTON (01772) 866720 AND SHE WILL BE PLEASED TO ASSIST.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014
Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

   Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

12. DATE AND TIME OF NEXT MEETING

The next meeting of the Committee will be held on Wednesday 28th September 2016 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meetings are scheduled for: 30 November 2016 and
proposed for: 29 March 2017 and 28 June 2017

13. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

14. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

15. HIGH VALUE PROCUREMENT PROJECTS (Pages 137 - 144)

16. LANCASTER FIRE AND AMBULANCE STATION REDEVELOPMENT (Pages 145 - 150)

17. DAY CREWING PLUS UPDATE (Pages 151 - 154)

18. REQUEST FOR EXTENSION OF PAID SICK LEAVE (Pages 155 - 158)

19. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday 30 March 2016 in the Main Conference Room, Service Headquarters, Fulwood commencing at 1000 hours

PRESENT:-

County Councillors

T Aldridge (Vice Chairman)
A Barnes
C Crompton (for A Matthews)
F De Molfetta (Chairman)
M Green
G Gooch
D Stansfield (for D O'Toole)

Blackpool Council

F Jackson

Officers

C Kenny – Chief Fire Officer (LFRS)
D Russel – Assistant Chief Fire Officer (LFRS)
B Warren – Director of People and Development (LFRS)
J Bowden – Head of Finance (LFRS)
Kim Larter – Deputy Head of Procurement (LFRS)
D Brooks – Principal Member Services Officer (LFRS)

APOLOGIES FOR ABSENCE

Apologies were received from County Councillors D O'Toole and T Burns and Councillors A Matthews and T Williams.

DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

MINUTES OF THE LAST MEETING HELD ON THE 27 NOVEMBER 2015

27/15 RESOLVED: That the Minutes of the meeting held on the 27th November 2015 be confirmed as a correct record and signed by the Chairman.

FINANCIAL MONITORING 2015/16

The report set out the current budget position in respect of the 2015/16 revenue and capital budgets and performance against savings targets.

Revenue Budget
The overall position as at the end of January showed an underspend of £1.150m. The current underspend was the result of the Authority continuing to identify savings at the earliest possible opportunity pending the completion of reviews, and therefore holding vacancies in advance of planned future establishment reductions. These had also been reflected in the budget for the next financial year. We were currently forecasting a year end overspend of around £0.6m. This allowed for the payment of £3.2m to offset the existing deficit on the Local Government Pension Scheme (as agreed at February's Authority meeting), net of underspends identified in the report and the £1m underspend in relation to budgeted firefighters' pension contributions.

The Committee was provided with detailed information regarding the position, along with the forecast outturn variances within individual departments as summarised below: -

Area	Over/(Under) spend at 31 Jan	Forecast Outturn	Reason
	£'000	£'000	
Fleet & Technical Services	(7)	(8)	The position at January included committed spend on hydrant repairs and new installations due to be done, reduced by underspends against vehicle repairs, fuel and tyres. These underspends were expected to continue for the rest of the year, however the year end outturn would depend on the extent to which outstanding hydrant works were completed before 31 March. Due to the current uncertainty, we were forecasting a roughly break even position.
Property	231	77	The majority of the overspend to 31 January related to property repairs and maintenance works, roughly half of which was ordered but not yet carried out (£117k), and was largely therefore a timing issue, rather than an expected outturn position. Although we were expecting there will be some overspend on R&M.
Service Delivery	(219)	(302)	The underspends here related to a combination of: • smoke detectors, due to the large stock held at 31 March and changes to the HFSC process; • smaller underspends against a large number of budget headings which had been adjusted for in next years' budget; less • Wattbikes purchased during the first quarter. These underspends were expected to continue for the rest of the year.

Non DFM	(87)	2,098	The majority of the underspend to January related to bank interest receivable in excess of that budgeted, which would continue for the rest of the year. It should be noted that we continued to benefit from fixed term deposits placed just over a year ago when interest rates were highest. The outturn position reflected the agreed payment of £3.2m off the LGPS deficit, reduced by the £1m over-provision for pension contributions, as referred to above.
Pay – Whole-time	(521)	(608)	Whole-time pay underspend to January related to a combination of the timing of costs of ad hoc payments such as overtime and public holidays, and the differences between the expected staffing numbers versus the actual staff in post. The previous trend of personnel leaving without accruing full pension benefits had continued resulting in the vacancy as outlined above. All these would be monitored closely for the rest of the financial year.
Pay - RDS	(142)	(170)	Retained pay underspend to January related to vacant hours of cover across many fire stations, which was forecast to continue until vacancies were filled during the year by the RDS recruitment campaigns which run frequently.
Pay – Support Staff	(294)	(327)	Support staff pay underspend to January related to continued vacancies, largely within fire safety as posts were held vacant pending the outcome of the ongoing Prevention and Protection Review.

The final year end overspend would be offset by a draw down from the general reserves, as agreed by the Authority at the February budget setting meeting.

Capital Budget

The Capital Programme for 2015/16 stood at £9.325m. The programme had been adjusted to reflect the reduced costs of the Lancaster Fire Station project, relating to the decision to remain on the current site rather than purchase an alternative, which would have been funded from capital reserves.

A review of the programme had been undertaken to identify progress against the schemes as set out below: -

	Committed spend to Jan 16 £m	Forecast Slippage Into 1617 £m	
Pumping Appliances	1.600	-	Committed spend to date related to:- • £0.674m - completion of the 5 pumping appliances from the 2014/15 capital programme, which have been delivered.

			• £0.926m - the purchase of 5 pumping appliances for the 2015/16 programme, which were currently in build and anticipated to be delivered by March 2016.
Other vehicles	1.319	(0.095)	Committed spend to date related to:- • £1.073m – the purchase of two Aerial Ladder Platforms (ALPs), delivery January 2016. • £0.246m - delivery of various support vehicles from the 2014/15 and 2015/16 capital programmes. The balance of the budget related to:- • the replacement of various support vehicles which were either already ordered, or being reviewed prior to replacement. Forecast slippage related to four support vehicles currently expected to be purchased in the next financial year.
Building Modifications	0.774	(2.479)	Committed spend to date related to:- • £0.116m – for works at STC, including provision of a back-up generator to enhance business continuity arrangements across the site and major roof repairs, as reported at last year's Resources Committee. • £0.130m – for the completion of the Day Crewing Plus (DCP) build at Bamber Bridge. • £0.642m – for design costs and construction stage payment in respect of DCP build at Skelmersdale. The balance of the budget related to:- • Ongoing construction of the new DCP facility at Skelmersdale which is now complete. • completion of the remaining items of capital works at the Training Centre site in order to make the site fit for purpose, as reported to Resources last year, such as works to water and hydrant main, general site improvements. • provision of a replacement for Lancaster Fire Station, incorporating a joint Fire & Ambulance facility, where the building works were expected to commence shortly. • the final elements of the refurbishment works at Barnoldswick. • refurbishment works at Carnforth fire station, where plans were being finalised prior to a tender exercise being undertaken. Forecast slippage related to the Lancaster rebuild, Carnforth refurbishment, plus works at the Training Centre as referred above.

IT systems	0.114	(0.161)	Committed spend to date related to:- • £0.087m - the asset management system to replace systems previously provided by Lancashire County Council in relation to vehicles, equipment and stores. The implementation was underway, with phased go live dates across various modules planned to begin from the end of October. • £0.024m – a replacement training database had been ordered, anticipated go live was at the start of the new financial year. The balance of the budget including any forecast slippage related to:- • the replacement of various systems, in line with the ICT asset management plan, most significantly CFRMIS, which allowed for a potential replacement system, or an upgrade of the existing product. Work had not yet begun on this project. It was noted that replacement ICT systems were reviewed prior to starting the replacement process.

Appendix 2 set out the capital programme and the expenditure position against this, as reflected above. The committed spend to date would be met largely by revenue contributions and capital reserves, with capital grant funding the costs of Skelmersdale DCP and a proportion of Lancaster Rebuild.

Delivery against savings targets
The current position on savings identified during the budget setting process, was reported. The performance to date was ahead of target due to a combination of the underspend on salaries for the first part of the year, plus savings in respect of procurement activities during the same period, less the current overspend position against property repairs and maintenance. It was anticipated that we would meet our savings target for the financial year.

28/15 RESOLVED: - That the Committee note the financial position.

WORKFORCE PLAN

The Director of People and Development presented the current version of the Workforce Plan which set out the Lancashire Fire and Rescue Service (LFRS) objectives based on the organisational context, structure and workforce profiles. The report also detailed labour demand, turnover and forecasting together with recruitment, retention and succession planning and talent management. The document brought together in one place the strands that are already utilised within the Service to determine its workforce plan.

LFRS had developed the Workforce Plan to support its improvement and ability to respond to the changing environment in which it operated, to ensure that the right people were in the right roles and to develop a better understanding of what sort of workforce was likely to be needed in the future to fulfil the demands for the Service. The focus for the plan during 2016 would be those job roles where there was the greatest number and highest risk ie: roles that focussed on the LFRS major functions of Prevent and Protect, Respond and National Resilience.

Members considered the Workforce Action Plan, as now presented. It was noted that the Action Plan would be reviewed regularly in light of changes to the political, economic, sociological, technological and legal environment. It would also be updated in light of any change projects which impacted on the LFRS workforce and monitoring would be undertaken by the Workforce Development Programme Board.

In response to a question raised by CC Green, the Director of People and Development confirmed that sickness absence per employee information was available and that staff absence was reported to the Performance Committee.

29/15 RESOLVED: - That the Committee note and endorse the development of the Workforce Plan.

RECRUITMENT

The Director of People and Development presented a report to Members on the proposed approach to the recruitment of whole-time staff following the Authority's approval to do so in agreeing the revenue budget at its meeting in February 2016.

During 2016/17 LFRS was proposing to recruit up to 30 individuals which would potentially be replicated in future years depending on future needs. In view of the significant changes in the demands and role of a firefighter since the last recruitment campaign, almost a decade ago, the processes and specification for recruitment needed to be refreshed. To drive the recruitment process forward a Task and Finish group had been established.

The role of a firefighter had evolved since the last recruitment campaign and the skills and attributes required to successfully cope with the demands of the role had changed. These were being finalised and recognised: the greater community role, the higher fitness standards necessary, the increased standard of education required and the level of medical clearance necessary.

LFRS wished to recognise the commitment of staff conditioned to the Retained Duty System (RDS) and to offer them a route to be considered for transfer; providing they met the LFRS Point of Entry Selection Tests (POESTs) for firefighters. Having a single standard was understood within LFRS and provided reassurance to whole-time staff and the representative bodies that standards were not being compromised. Therefore RDS staff would be assessed against the required criteria. However, in terms of some of the additional criteria identified, there was potential to relax these where an ability to undertake that element could be demonstrated in their existing role. For example, an external applicant would be required to have an educational standard of at least 4 GCSEs including English and Mathematics but an RDS individual could be allowed an easement on that criterion if they had a good performance in the ability tests as they were already undertaking a very similar role. Similarly if they were already achieving the internal fitness standard (which was also the national standard) then no further requirements would be placed on them. They would also have the advantage of LFRS having knowledge of their current performance in the retained role. It was accepted that if the LFRS criteria for external recruitment was used without an adjustment in open competition, this might preclude a large proportion of RDS staff interested in transferring from succeeding. This was not seen as a desirable outcome, potentially disenfranchising a proportion of the workforce and discouraging members of the general public from taking up future retained employment.

It was proposed to undertake this year's recruitment exercise on a twin track basis: -

- Firstly to consider the RDS staff first as transfers on the proviso they met the POESTs criteria;
- Then an external process for the residual numbers and subsequent tranches.

Members discussed the RDS process which replicated that used in 2007/08. It was recognised that difficulties would arise if all the recruits came from the RDS. Recruitment into RDS positions was challenging for the Service and transferring individuals to the whole-time would impact on RDS appliance availability and / or incur more detachments to keep appliances on the run. It was noted that this would be partly offset by encouraging / requiring staff to maintain dual contracts covering at least part of their existing RDS commitment. However a clear desire existed to give current staff the opportunity to apply for whole-time posts. In response to a query from CC Barnes as to whether all the posts would be filled by the RDS staff the Chief Fire Officer confirmed that that recruitment numbers would be determined by the required standards being demonstrated in the process and not by arbitrary quotas.

If the remaining vacancies justified external recruitment, the process would be rerun as an open process for external candidates with full application of the requirements and additional desirable factors being taken into account. If the number outstanding did not justify an external recruitment campaign, then the outstanding vacancies would be rolled over and included in the next recruitment campaign. Future recruitment would be undertaken on an open competition basis with LFRS expecting that the entry level standards would be met in full, as all staff would be clear on the standard required.

Members noted that the Government was consulting with the public sector on apprenticeship intakes. A potential target of 2.3% of the headcount, 1,245 (not full time equivalent) would equate to 29 individuals per year being required which might impact on future firefighter recruitment plans.

30/15 <u>RESOLVED</u>: - That the Committee note and endorse the twin track approach adopted and note the actions taken in respect of external recruitment.

SERVICE HEADQUARTERS PLANNING PERMISSIONS

The Authority had previously agreed to put the relocation of Service Headquarters (SHQ) on hold until 2018/19 due to a lack of clarity in terms of government plans for the future of Fire and Rescue Services and forecast funding (resolutions 24/13 and 60/13 refer). Whilst the position on funding had become clearer the situation in terms of future plans and the impact of these on any potential relocation had not. The impact of the transfer from the department of Communities and Local Government to the Home Office was still to be determined. The Policing and Crime Bill was currently going through Parliament which set out the duty to collaborate and the potential governance arrangements relating to the Police and Crime Commissioner's involvement in the potential running of the Service.

Despite this it was re-iterated that the current SHQ building was far from ideal both in quality and layout. Neither was it efficient to have a separate SHQ and large training centre site. It was also acknowledged that the position in terms of costs of the scheme would not have changed significantly in that, even after allowing for anticipated sale proceeds from the existing site and despite efficiency savings in terms of maintenance, energy and removal of the dual running of facilities, it was still a more expensive option than remaining in the current building, but allowing for some minor refurbishment of them. However given the lack of clarity on future governance and collaboration it was still felt that there remained too much uncertainty to resurrect the SHQ relocation project at the present time.

As part of the redevelopment proposals relating to the Service Training Centre site the Authority had obtained two separate planning permissions: i) an outline planning approval to a master plan for the whole site; and ii) a Reserved Matters planning approval for the agreed SHQ build: -

Outline Master Plan Approval
An outline planning approval to a master plan included an outline approval for a given square meterage of "development", which included the new SHQ, the new Stores building and a training building. This provided sufficient scope to meet anticipated future redevelopment requirements.

This permission was granted in 2011 and was valid for 10 years until June 2021. If building work did not start on the site by then this permission would need to be renewed, otherwise all rights to develop the site further would be lost; due to its green belt nature, unless we proved "exceptional circumstances". As such this still gave sufficient time to re-evaluate our options in 2018/19, seek appropriate detailed planning permissions and commence re-development works ahead of the deadline.

Reserved Matters Planning Approvable For The Agreed SHQ Build
The planning approval for SHQ was a Reserved Matters approval to an element of the outline approval, the reserved matters in the case of this building related to specific plan layout, choice of materials and the like that formed part of the architects design for the new SHQ. This approval was granted in September 2013. One of the conditions of the approval was that the proposed development must begin not later than three years from the date of this permission, meaning that the permission is only valid until 23 September 2016.

This left the Authority with three options:-

- Commence work on building a new SHQ;
- Allow the permission to lapse;
- Seek an extension to the existing permission.

Members discussed the options as presented:

Commence work on building a new SHQ
Whilst the position in terms of future funding had become clearer with the latest Local Government Finance Settlement including indicative four year figures, the situation on future governance, and the need to collaborate still remained unclear.

In light of this and the Authority agreeing to put the project on hold until 2018/19 no further development work had taken place, and hence the Authority was not in a position to commence any works by September.

Seek an extension to the existing permission
If the Authority still wanted to build exactly the same building a renewal of the permission would need to be sought. However an extension to the existing permission was only suitable if it was intended to build exactly the same building as previously approved. If it was agreed to proceed with a new SHQ which was different to the approved plan then the existing approval would not cover this and a new reserved matters approval would need to be sought.

Given changes within the Service, it seemed extremely unlikely that the build would need to be exactly the same building given staffing numbers had changed and office layouts would need to be amended to reflect some of the changes that had taken place (such as Contact Centre, Centralised Admin Hub) and it would need to be considered whether the demolition of Lancaster House remained the optimum solution etc.

Allow the Permission to Lapse
If the existing permission was allowed to lapse then any subsequent plan to build a new SHQ would require a new reserved matters approval. Given the existing site master plan approval which ran till 2021 it was felt that a new application would be viewed positively by the planners, as was the previous submission.

Given the changes in the service discussed, any new SHQ would undoubtedly be smaller than the current approved plans, and hence it was felt that the existing approval should be allowed to lapse and that a new approval should be sought at the appropriate time, if the relocation went ahead at some future point.

In response to a question from CC Green it was agreed that the wording of the Reserved Matters Planning Approval be checked to ensure that if allowed to lapse it did not mean the outline planning permission also lapsed.

31/15 RESOLVED: - That the Committee approve for the reserved matters planning permission to lapse; subject to this not affecting the outline planning permission, and a new approval be sought as appropriate.

DATE OF NEXT MEETING

The next scheduled meeting of the Committee was agreed for Wednesday 29 June 2016 in the Main Conference Room, Service Headquarters, Fulwood, commencing at 1000 hours.

Further meeting dates were noted for 28 September 2016 and 30 November 2016.

EXCLUSION OF PRESS AND PUBLIC

32/15 RESOLVED: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

HIGH VALUE PROCUREMENT PROJECTS
(Paragraph 3)

Members considered a report that provided an update on all contracts for one-off purchases valued in excess of £50,000 and high value procurement projects in excess of £100,000 including: new contract awards, progress of ongoing projects and details of new projects with an anticipated value exceeding £100,000.

33/15 RESOLVED: – That the Committee note and endorse the recommendations as outlined in the report.

LFRS HQ
Fulwood

M NOLAN
Clerk to the Authority

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PART 1 ITEM No. 4

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

EXTERNAL AUDIT – UNDERSTANDING HOW THE RESOURCES COMMITTEE GAINS ASSURANCE FROM MANAGEMENT
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, are required to obtain an assurance as to how those charged with governance discharge their responsibilities in connection with oversight of the annual accounts process and financial reporting. The letter requesting this is attached as appendix 1.

A draft response has been prepared by the Chairman of the Resources Committee, which is attached as appendix 2. (It is worth noting that the Audit Committee has provided a similar response in connection with the risk of fraud and breaches of internal controls.)

Decision Required

The Committee is asked to approve the submission of the response.

Information

As stated in the Executive Summary.

Financial Implications

None.

Business Risk Implications

The internal controls operated within the Authority are designed to minimise business risk in general and in particular the risk of fraud.

Environmental Impact

None.

Equality and Diversity Implications

None.

Human Resource Implications

None.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Grant Thornton

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25 May June 2016

Dear Councillor De Molfetta

Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2016. Understanding how the Resources Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Resources Committee gains assurance over management processes and arrangements for producing the financial statements

I have written separately to the Chair of the Audit Committee in respect of the management processes in place to:

- identify and respond to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
- oversee management's process in identifying and responding to the risk of breaches of internal control
- communicate to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- How the Audit Committee gains assurance that all relevant laws and regulations have been complied with?
- Whether the audit committee are aware of any actual or potential litigation or claims that would affect the financial statements?

If you have any comments on the questions I have asked the Chair of the Audit Committee, please include these in your response.

Due to the role of the Resources Committee in reviewing the financial statements I would be grateful, therefore, if you could write to me with your responses to the following questions.

1 How does the Resources Committee oversee management's processes in relation to carrying out an assessment of the risk the financial statements may be materially misstated

due to fraud or error?

2 How has the Resources Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please could you provide a response ahead of the Resources Committee on 29 June 2016 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
Director
For Grant Thornton UK LLP

T +44 (0)161 234 6364
E Karen.l.murray@uk.gt.com

Appendix 2

Mrs K Murray
Director
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

Date: 26 June 2016

Dear Mrs Murray

LANCASHIRE COMBINED FIRE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 - UNDERSTANDING HOW THE RESOURCES COMMITTEE GAINS ASSURANCE FROM MANAGEMENT

Further to your letter, I confirm the following.

How does the Resources Committee oversee management's processes in relation to carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?

I believe that the Resources Committee adequately discharges its duties in respect of the above as it considers the following issues:-

- The financial position of the Authority is reviewed throughout the year
- The committee will consider the full set of accounts at its meeting in June. As part of this process it will review not only the accounts but the covering report which explains the links between the revenue and capital outturn reports thus ensuring the accounts are consistent with in-year reporting. In addition, it challenges the Treasurer as appropriate on these, and other, reports.
- Included within the accounts is the Annual Governance Statement, and the Committee takes note of the Audit Committees recommendations in connection with this, and in particular the overall conclusion on the system of internal controls operating within the Authority.
- The Committee also monitors progress against all contracts in excess of £50,000.
- All Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations.

I am not aware of any entries in the accounting records that I believe or suspect are false or misleading

How has the Resources Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements

The annual budget process sets a budget for the following year, as well as including draft budgets for the following 3 years. These demonstrate that the Authority is able to set realistic and achievable budgets in the medium term to continue to deliver services in line with its IRMP. In addition the Authority reviews the purpose and level of reserves on an annual basis to ensure that these are sufficient to meet future requirements Furthermore the annual budget presented to the Authority in February includes an assessment by the Treasurer of the robustness of the budget and the adequacy of reserves in the following year, as well as indicative figures for the following 4 years

The on-going review of the Authority's financial position throughout the year provides strong evidence of the on-going viability of the Authority from a financial perspective, demonstrating that the Authority has appropriate arrangements in place to manage within its annual budget.

Furthermore the annual audit letter considers the financial resilience of the Authority and states that the Authority has proper arrangements in place to secure financial resilience.

The Authority has not identified any events which cast any doubt on the Authority's ability to continue as a going concern.

Yours sincerely

F DeMolfetta
Chair of the Resources Committee
Lancashire Combined Fire Authority

PART 1 ITEM No 5

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

YEAR END TREASURY MANAGEMENT OUTTURN 2015/16
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the Authority's borrowing and lending activities during 2015/16. All borrowing and investment activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2015/16, and are based on anticipated spending and interest rates prevailing at the time.

Recommendation

The Resources Committee is asked to note and endorse the outturn position report

Information

In accordance with the updated CIPFA Treasury Management code of practice and to strengthen Members' oversight of the Authority's treasury management activities, the Resources Committee receives regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity are discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Director of Corporate Services and the content of these reports is used as a basis for this report to the Committee.

Economic Overview

Growth, Inflation, Employment:

The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. Consumer Price Index (CPI) inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from $67 a barrel in May 2015 to just under $28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences:

The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy:

The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

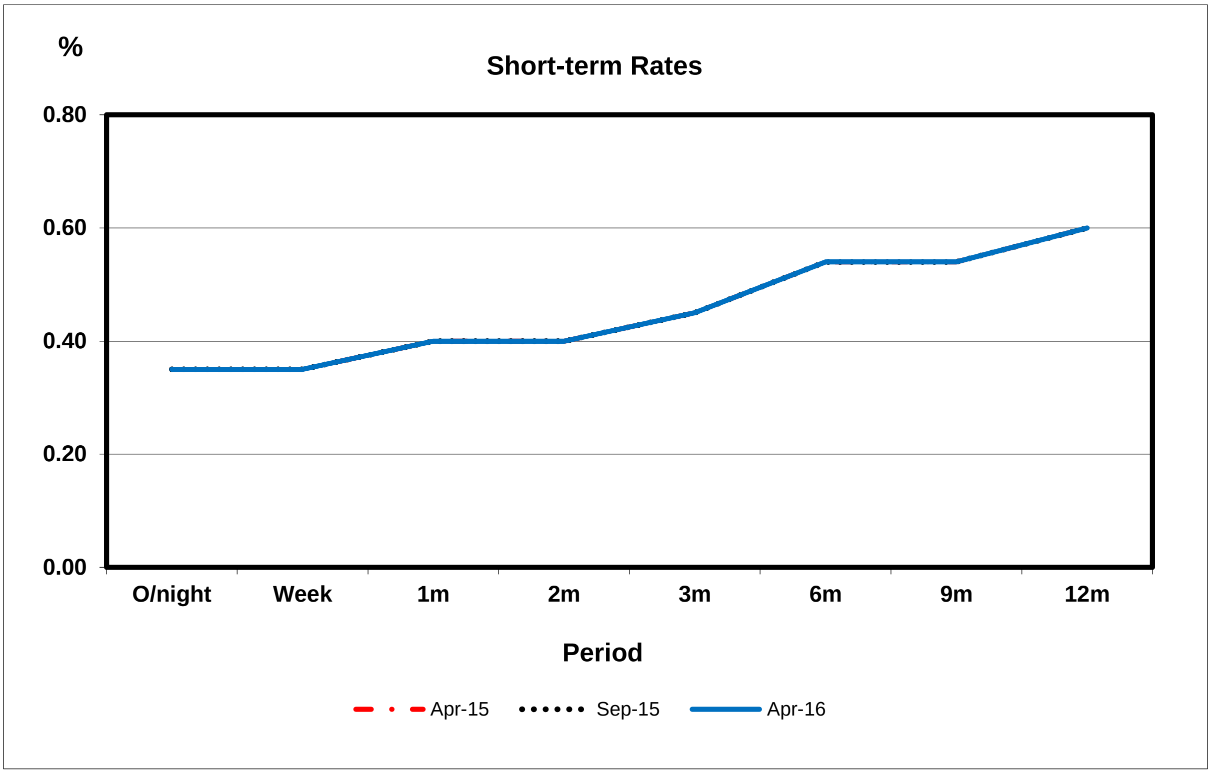
However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

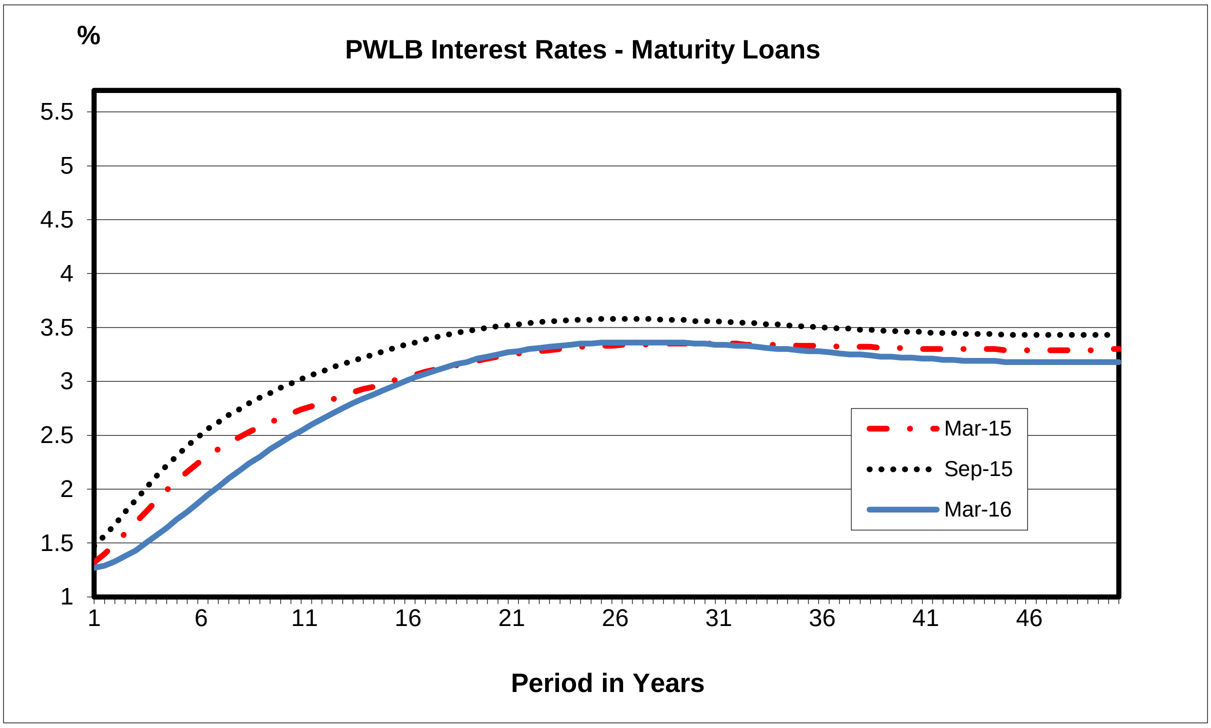
10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Interest Rate Environment

Short term interest rates continue at very low levels since the Bank of England reduced the base rate to 0.5% in March 2009. Short term investment levels available in the market remained below 0.6% through the year as illustrated in the chart below.



The chart below gives an indication of how PWLB rates have changed during the year:



Lancashire County Council's treasury management advisors Arlingclose Treasury Consultants has changed its forecast of interest rates movement. It now considers that the next move in the Bank base rate will be in Q2 2018. Last year it was anticipated that the next increase would have been in Q2 2017. (Note that the Quarter and Half years referred to are calendar years, as opposed to financial years).

Period	Bank Rate	3 month LIBID	12 month LIBID	20-year guilt Yield
Q2 2016	0.50	0.50	1.00	2.30
Q3 2016	0.50	0.50	1.05	2.35
Q4 2016	0.50	0.55	1.10	2.40
Q1 2017	0.50	0.60	1.10	2.45
Q2 2017	0.50	0.65	1.15	2.50
Q3 2017	0.50	0.70	1.20	2.55
Q4 2017	0.50	0.75	1.25	2.60
Q1 2018	0.50	0.80	1.30	2.65
Q2 2018	0.75	0.85	1.35	2.68
H1 2019	0.75	1.05	1.40	2.75

Due to the economic outlook the forecast of low interest rates is expected to continue.

Cash Flow

Cash flow predictions are made on a rolling basis in order to ensure that the Authority has sufficient funds to meet its day to day requirements and also inform investment and borrowing decisions.

Appendix 1 shows the actual cash flows over the last 12 months, split between fixed deposits and the call account, whilst appendix 2 shows the accuracy of cash flow projections over the same period.

Broadly speaking it can be seen that the cash flow projections are reasonably accurate. The cash flow position, along with the interest rate environment, form part of the regular discussions between the Director of Corporate Services and the Lancashire County Council Treasury Management Team, in order to inform future decisions on borrowing and investments.

Borrowing

The Fire Authority's cash investments remain significantly in excess of borrowing requirements. Hence the Authority has adopted a policy to set aside additional monies in the form of additional Minimum Revenue Provisions (MRP) in order to reduce borrowing requirements and enable the repayment of debt as it matures, as well as reducing credit rate risk.

This policy has seen overall debt reduce from £8.1m in 2009/10 to its current level of £5.8m. No new borrowing has been taken out in the year, and £0.25m of debt matured in the year.

	2015/16
	£'000
Borrowing at 31 March 2015	6,014
Repayment of Maturing Debt	(250)
New Borrowing	-
Borrowing at 31 March 2016	**5,764**

During the year the Authority has to make a charge to revenue to make a provision to pay debt. This statutory minimum revenue charge is broadly 4% of previous capital expenditure funded from borrowing adjusted to take into account a shorter asset life of some assets. In 2015/16 this charge was £0.010m.

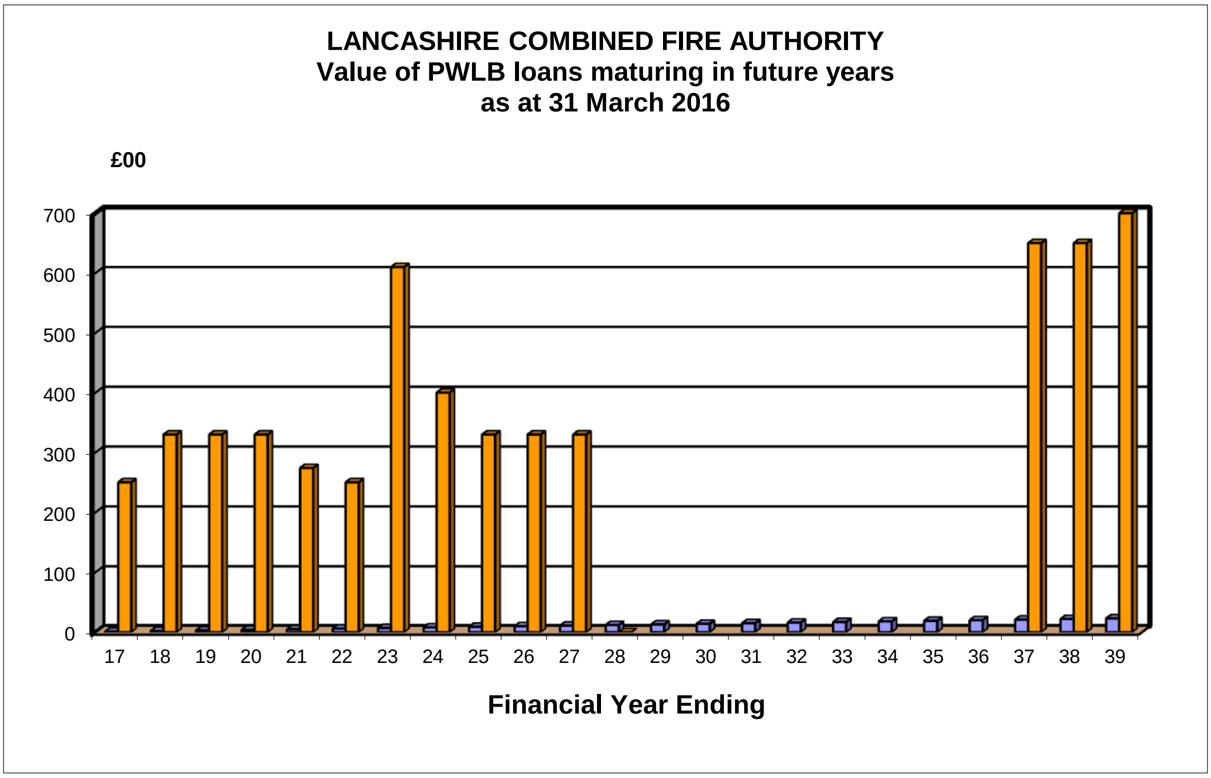
In addition, in the budget setting process for 2014/15 it was decided that an additional MRP payments were to be made in order to set aside sufficient monies to provide scope to pay off debt in 5 years' time. This was reflected in an additional voluntary charge of £0.162m in 2015/16.

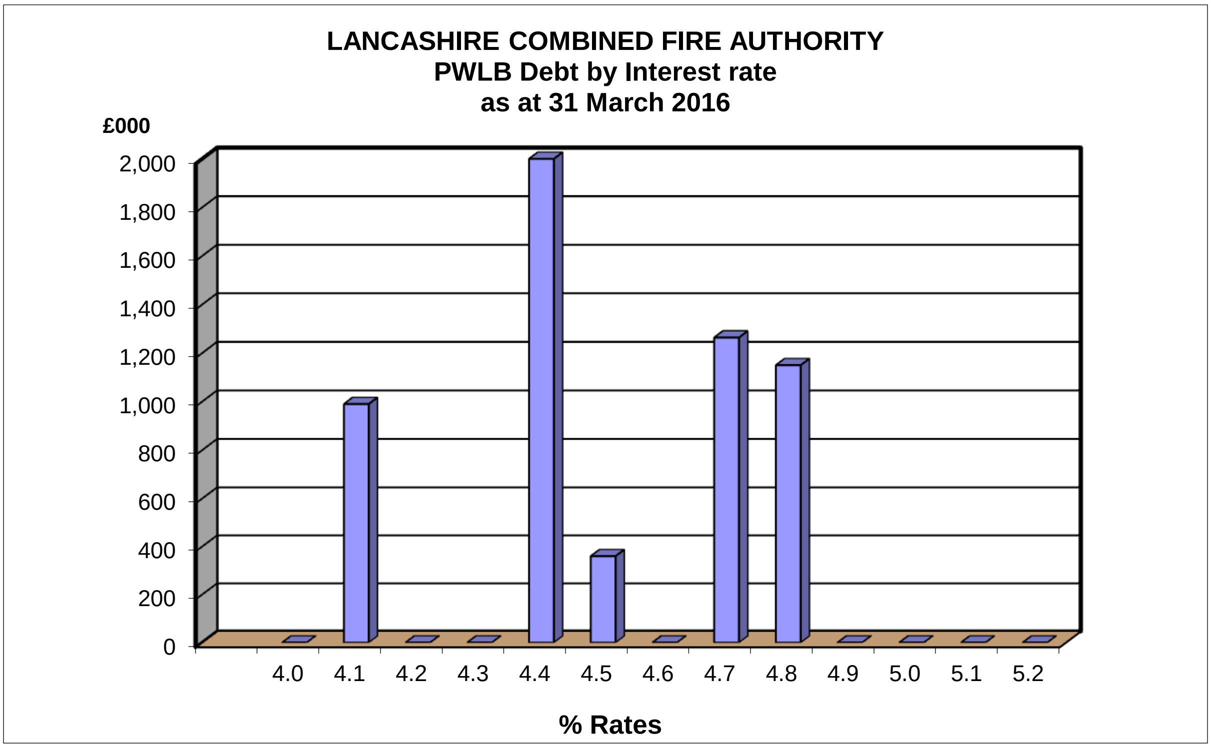
The negative borrowing requirement shown in the table below will be carried forwards until 2018/19, when the Authority will hold £4.849m after repaying debt as it falls due. This balance is anticipated match the level of debt outstanding at 31 March 2019. An annual review of the penalties due on early repayment is carried out, and should these be considered favourable the Authority will consider whether to repay the debt.

	2015/16
	£'000
Borrowing requirement b/fwd from previous year	(5,760)
Repayment of Maturing Debt	250
Borrowing for Capital Programme	-
Less • Statutory MRP	(10)
• Voluntary MRP	(162)
Total Borrowing Requirement to carry forward	(5,682)

* Note MRP is the sum of money we are required to set aside each year to reduce our overall level of debt. Historically this has equated to a 4% statutory amount plus an additional voluntary element to allow the future repayment of all PWLB debt.

The charts over the page show the current maturity profile and interest rate profile of the Authority's borrowings.





Total interest payable on PWLB borrowing amounts to £0.275m, which equates to an average interest rate of 4.57%. This compares favourably with the average rate paid by English counties nationally which is 4.60%

Investments

For a number of years following the financial crisis of 2008, in order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys AA2) was the counterparty for all of the Authority's investments. However this counterparty list was expanded for in the 2014/15 Treasury Management Strategy to include other high quality counterparties.

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment returns.

The addition of the other counterparties into the investment policy is intended to improve investment returns whilst retaining the very high credit quality of the portfolio.

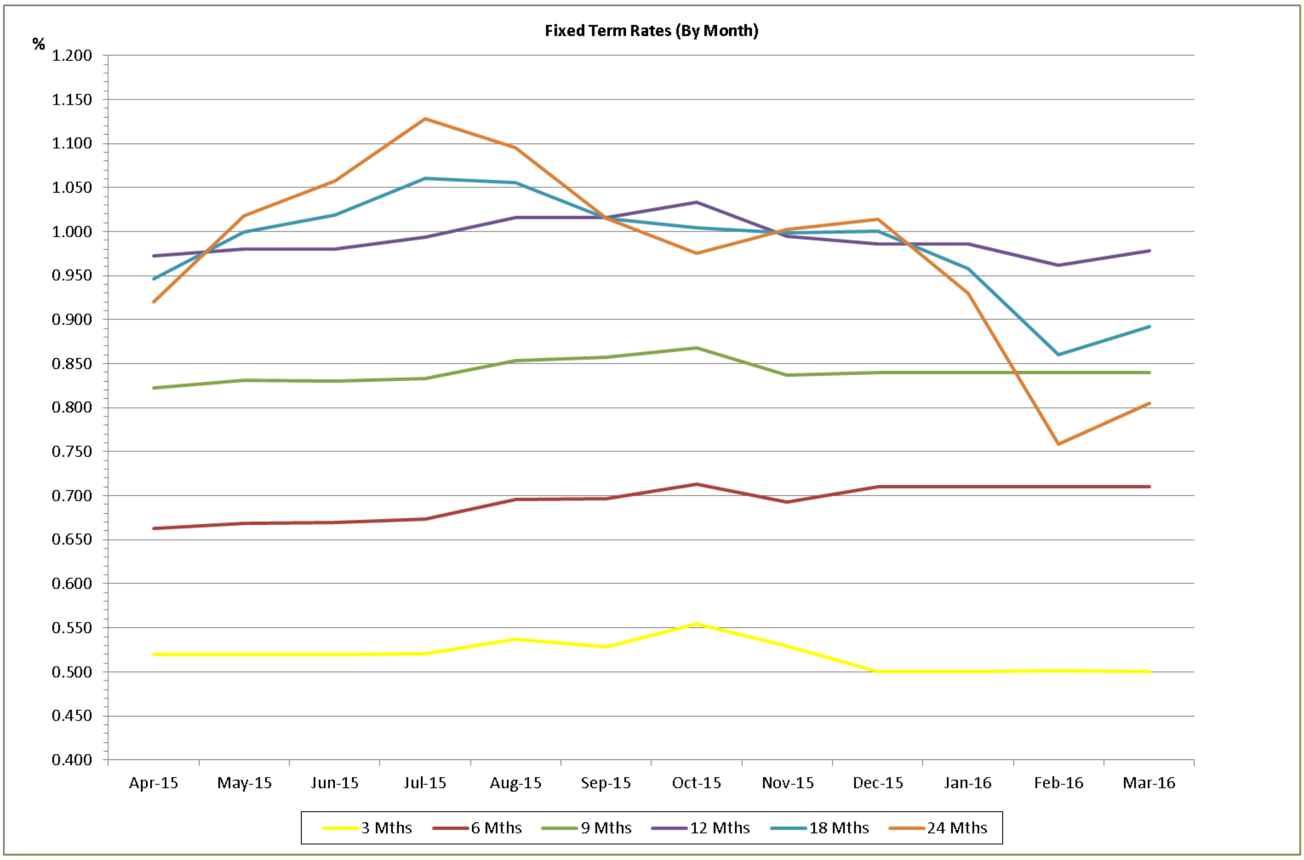
In accordance with this policy, two long term investments are held with UK local authorities as outlined below:

Start Date	End Date	Principal	Rate	Annual Interest
30/6/14	28/6/19	£5,000,000	2.4%	£120,000
31/7/14	31/7/17	£5,000,000	1.6%	£80,000

In addition to these the Authority had access to the call account provided by Lancashire County Council which paid the base rate throughout 2015/16. Each working day the balance on the Authority's current account is invested in this to ensure that the interest received on surplus balances is maximised. The average balance in this account during the year was £43.178m accruing interest of £166k.

The overall interest earned during this period was £366k at a rate of 0.69% which compares favourably with the benchmark 7 day notice index which averages 0.36% over the same period.

The chart over the page shows the current interest rates for different investment maturities.



All of these investments are made in accordance with the current Treasury Management Strategy and the CIPFA treasury management code of practice.

Cash flow and interest rates continue to be monitored by the Director of Corporate Services and the County Council's treasury management team, and when rates are felt to be at appropriate levels further term deposits will be placed.

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators are determined against which performance may be measured. The revised indicators for 2015/16 are shown in the table below alongside the actual outturn position.

	Revised	**Actual**
Adoption of the CIPFA Code of Practice for Treasury Management	Adopted	Adopted
Authorised limit for external debt	£000	£000
A prudent estimate of total external debt, which does not reflect the worst case scenario, but allows sufficient headroom for unusual cash movements		
Borrowing	8,000	5,764
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	15,500	14,958
Total	23,500	20,722

Operational boundary for external debt		
A prudent estimate of debt, but no provision for unusual cash movements. It represents the estimated maximum external debt arising as a consequence of the Authority's current plans		
Borrowing	7,000	5,764
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	15,500	14,958
Total	22,500	20,722
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	0%
Upper limit for variable rate exposure		
Borrowing	25%	Nil
Investments	100%	100%
Upper limit for total principal sums invested for over 364 days (per maturity date)	15,000	Nil
Maturity structure of debt	**Upper/ Lower Limits**	**Actual**
Under 12 months	30%/nil	4.34
12 months and within 24 months	30%/nil	11.45
24 months and within 5 years	50%/nil	10.48
5 years and within 10 years	80%/nil	33.31
10 years and above	90%/nil	40.42
Historically the above maturity structure has proved to be sound. It aims to produce a stable debt structure over the longer-term whilst permitting the exploitation of favourable interest rates at the short end of the market if they arise.		

Financial Implications

The following table summarises the Financing costs for the Authority, comparing actual with budget:-

	Revised Budget	Actual	Reason for variance
Interest Payable on PWLB loans	£0.275m	£0.275m	In line with revised budget
Interest Receivable on call account and fixed term investments	(£0.264m)	(£0.366m)	We have generated £106k additional investment income reflecting high levels of cash balances
Minimum Revenue Provision re PWLB loans	£0.0172m	£0.172m	In line with revised budget
Net financing costs from Treasury Management activities*	£0.183m	£0.081m	

* There are financing costs associated with vehicle finance leases and the PFI agreements, which are not included in the balances above as they are not the result of Treasury Management activities.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

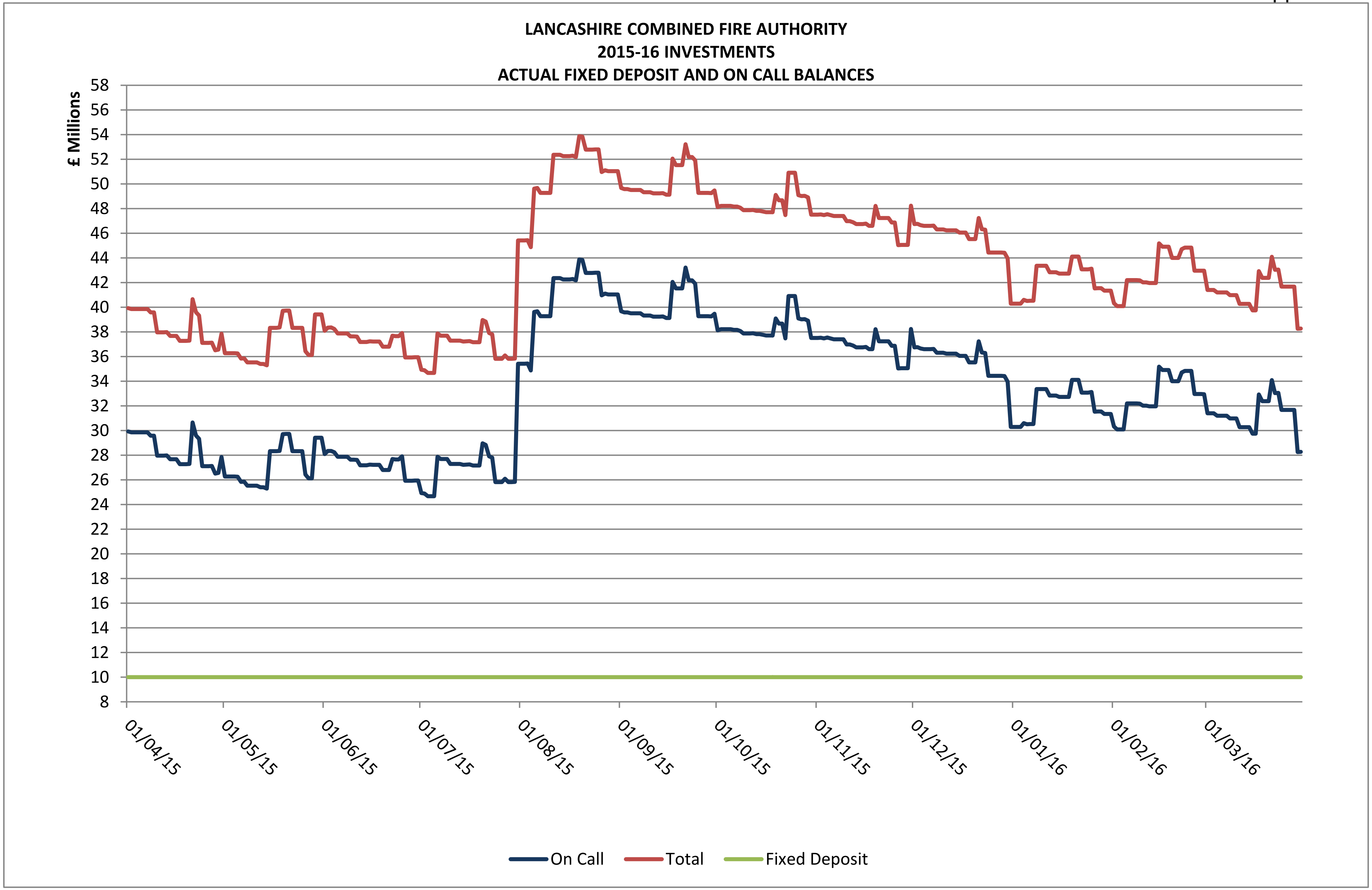
The Treasury Management Strategy is designed to maximise interest earned, minimise interest paid whilst maintaining an acceptable level of risk. The reviews of performance provide Members with an assurance that this has been complied with.

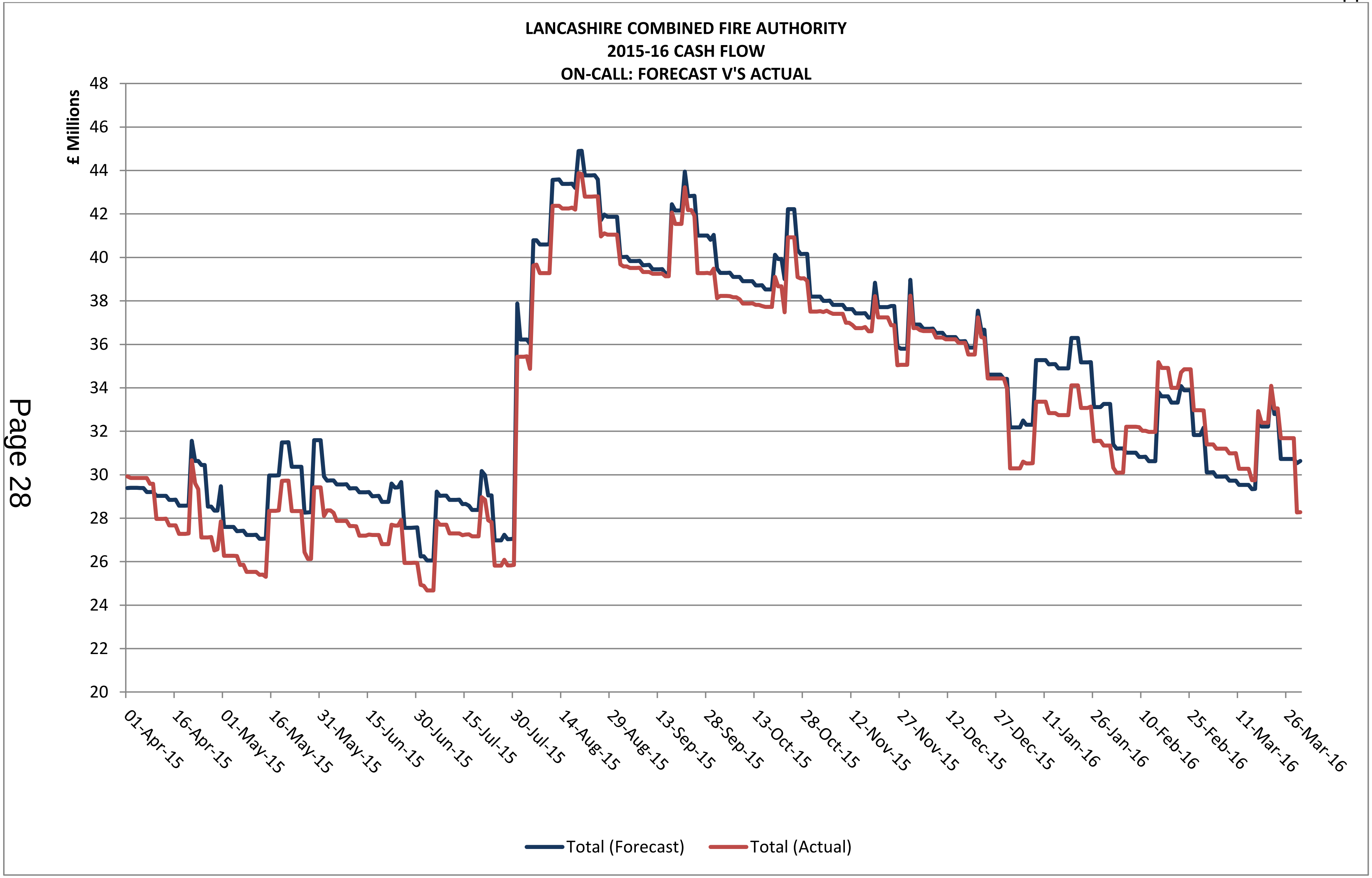
Environmental Impact

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
Treasury Management Strategy 2015/16	February 2015	Keith Mattinson, Director of Corporate Services
SORP and Guidance	February 2016	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		


LANCASHIRE COMBINED FIRE AUTHORITY
2015-16 INVESTMENTS
ACTUAL FIXED DEPOSIT AND ON CALL BALANCES
£ Millions
58
56
54
52
50
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
8
01/04/15
01/05/15
01/06/15
01/07/15
01/08/15
01/09/15
01/10/15
01/11/15
01/12/15
01/01/16
01/02/16
01/03/16
On Call
Total
Fixed Deposit


LANCASHIRE COMBINED FIRE AUTHORITY
2015-16 CASH FLOW
ON-CALL: FORECAST V'S ACTUAL
£ Millions
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
01-Apr-15
16-Apr-15
01-May-15
16-May-15
31-May-15
15-Jun-15
30-Jun-15
15-Jul-15
30-Jul-15
14-Aug-15
29-Aug-15
13-Sep-15
28-Sep-15
13-Oct-15
28-Oct-15
12-Nov-15
27-Nov-15
12-Dec-15
27-Dec-15
11-Jan-16
26-Jan-16
10-Feb-16
25-Feb-16
11-Mar-16
26-Mar-16
Total (Forecast)
Total (Actual)

PART 1 ITEM No 6

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

YEAR END CAPITAL OUTTURN 2015/16
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents:

- the year end position for the Authority's capital programme, and how this has been financed;
- the impact of slippage from the 2015/16 capital programme into the 2016/17 programme.

Recommendation

The Authority is asked to:-

- note the capital outturn position, the financing of capital expenditure 2015/16 and the prudential indicators;
- approve the revised capital programme and financing of this for 2016/17.

Information

The year end position for the Authority's capital programme, and how this has been financed, is set out in Appendix 1, and summarised below, which shows total expenditure in year of £4.031m compared with total budget of £8.829m with a slippage requirement of £4.613m, resulting in an overall underspend of £0.185m:-

Area of Spend	Actual Expend-iture £m	Slippage £m	Under/ Over spend £m	Explanation
Property, Plant and Equipment				
Vehicles	2.956	(0.110)	(0.057)	Pumping Appliances - The expenditure relates to the completion of 5 appliances from the prior year programme, and completion of the 5 appliances in the 2015/16 programme. Other vehicles - this relates to the purchase of two aerial ladder platforms, in addition to various operational support vehicles, such as cars and vans, where £110k of slippage is required to enable the Authority to complete the procurements underway.

Buildings	0.956	(4.379)	(0.020)	Expenditure in year relates to the completion of the Day Crewing Plus (DCP) accommodation at Bamber Bridge (£0.1m) and the costs for the DCP accommodation at Skelmersdale (£0.5m), which was completed during the year. In addition, Service Training Centre (STC) redevelopment costs include a replacement emergency generator, works to Lancaster House and work relating to on-site training props. Slippage relates to: • the balance of the re-development works at STC anticipated to take place in 16/17, i.e. the water main works and improvements in the overall landscaping of the site, i.e. car park areas and roadways • replacement of Lancaster fire station for the new joint fire/ambulance station project that is underway in Lancaster • replacement of Carnforth fire station The net underspend (£0.020m) relates to underspends on Skelmersdale and Bamber Bridge DCP builds, less increased anticipated costs for the replacement of Carnforth fire station.
Total Property, Plant and Equipment	**3.912**	**(4.489)**	**(0.077)**	
Intangible Assets				
ICT Systems	0.118	(0.124)	(0.108)	Spend during the year relates to: • Costs of the replacement asset management system which began during 2014/15. • Purchase of a replacement training course and skills management system. The slippage is attributable to: • Final completion of the replacement asset management system modules. • the upgrade for the CFRMIS (Community Fire Risk Management Information System) which will be progressed during 2016/17. • Potential replacement Incident Recording System/Management Information System, a review of which is underway. The underspend relates to the budget which was not required for the training system replacement and HR system modules, plus the reduction in expected costs for the CFRMIS replacement.
Total Intangible Assets	**0.118**	**(0.124)**	**(0.108)**	
Grand Total	**4.031**	**(4.613)**	**(0.185)**	

Appendix 1 also shows how the programme has been financed in year, from a combination of capital grant (£0.5m), revenue contributions (£2.9m), capital reserves (£0.5m) and earmarked reserves (£0.1m).

Over the next five years the position in terms of capital reserves, available to fund future capital programmes will be as follows: -

	Capital Reserves £m	**Capital Receipts £m**	**Total £m**
Balance 31/3/15	10.604	1.187	11.791
Additions - RCCO per the capital programme	2.850	-	2.850
Less – RCCO utilised in 2015/16	(2.850)	-	(2.850)
Utilisation of capital reserves	(0.553)	-	(0.553)
Capital receipt in 2015/16	-	0.314	0.314
Additional RCCO	0.232	-	0.232
Balance 31/3/16	10.283	1.501	11.784
Additions/utilisation in year	(2.073)	-	(2.073)
Balance 31/3/17	8.210	1.501	9.711
Additions/utilisation in year	(1.950)	-	(1.950)
Balance 31/3/18	6.260	1.501	7.761
Additions/utilisation in year	(2.120)	-	(2.120)
Balance 31/3/19	4.140	1.501	5.541
Additions/utilisation in year	(2.786)	-	(2.786)
Balance 31/3/20	1.354	1.501	2.855
Additions/utilisation in year	-	-	-
Balance 31/3/21	1.354	1.501	2.855

As can be seen the capital programme over the next five financial years will leave a balance of £2.8m in capital reserves.

<u>Prudential Indicators 2015/16</u>

Under the prudential framework the Authority is required to identify various indicators to determine whether the approved capital programme is affordable, prudent and sustainable.

The revised indicators, after allowing for the various changes to the capital programme, are shown in the following table, alongside the actual outturn figures, and these show that performance has been within approved limits.

	Revised	**Actual**
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	0.32%	0.14%
Capital Expenditure (this is simply a measure of spend)	£8.829m	£4.031m
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	£0.077m	£0.077m

Impact of 2015/16 Capital Programme on Council Tax

The estimated impact on band D council tax of the revised capital programme compared to the actual outturn figures is as follows:

	Revised	**Actual**
Gross Increases in Band D Council Tax	£14.17	£8.54
Estimated Government Support (RSG)	-	-
Increases in Band D Council Tax	£14.17	£8.54
Of which, due to the budgeted revenue contribution	£6.94	£6.94
Of which, due to utilisation of reserves	£7.23	£1.60
Net increases in Band D Council Tax	-	-

As can be seen, there is no increase in council tax arising from the use of the revenue budget to fund capital expenditure, which was already allowed for in the overall council tax charged for 2015/16. Hence the net impact in terms of new council tax was zero.

The Impact of Slippage from the 2015/16 Capital Programme into the 2016/17 Programme

The original approved capital programme for 2016/17 was £2.770m, which excluded any estimated slippage from 2015/16. This has been amended to reflect the final level of slippage of £4.613m, outlined above. A further adjustment of £0.280m is required in order to meet the anticipated cost of the Fleet workshop and the Multi Compartment Fire prop, both of which are subject to separate tendering exercises. Therefore the final proposed capital programme for 2016/17 is £7.663m, which is funded from capital grant, revenue contributions, capital reserves and the drawdown of the STC Improvement Programme earmarked reserve.

The revised programme and its funding are set out in appendix 2.

The following table sets out the revised prudential indicators for 2016/17-2018/19, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

	2016/17 Estimate	**2017/18 Estimate**	**2018/19 Estimate**
Ratio of Financing Costs to Net Revenue Stream. (the figures show that the revenue costs of the Authority's capital expenditure plans are still a very small part of the overall budget.)	(0.19%)	(0.31%)	(0.42%)
Capital Expenditure	£7.663m	£7.480m	£4.629m
Capital Financing Requirement	£0.049m	£0.023m	-

Impact of revised 2016/17 Capital Programme on Council Tax

The estimate of the impact of slippage would indicate the following increases in the band D council tax over the period:

	2016/17 Estimate	**2017/18 Estimate**	**2018/19 Estimate**
Gross Increases in Band D Council Tax	£12.11	£15.95	£10.92
Estimated Government Support (RSG)	-	-	-
Increases in Band D Council Tax	£12.11	£15.95	£10.92
Of which, due to the budgeted revenue contribution	£6.63	£4.18	£3.55
Of which, due to utilisation of reserves	£5.48	£11.77	£7.38
Net increases in Band D Council Tax	-	-	-

As can be seen the increase in council tax arises from the budgeted drawdown from reserves, which has already been charged to the council tax in previous years, and the budgeted revenue contribution, which is already allowed for in the overall council tax charged for 2016/17. Hence there is no net impact in terms of new council tax in each of the three years.

Financial Implications

As outlined in the report.

Business Risk Implications

The outturn report sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

Equality and Diversity Implications

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Equality & Disability legislation.

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
None		
Reason for inclusion in Part II, if appropriate:		

CAPITAL BUDGET 2015/16

CAPITAL BUDGET 2015/16	Programme	Adjustment	Revised Programme	Actual Expenditure	Variance to Date	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	1.646	-	1.646	1.616	(0.030)	-	1.616	(0.030)
Other Vehicles	1.477	-	1.477	1.340	(0.137)	(0.110)	1.449	(0.027)
	3.123	-	3.123	2.956	(0.167)	(0.110)	3.066	(0.057)
Buildings Modifications								
STC Redevelopment	0.544	0.105	0.649	0.277	(0.372)	(0.372)	0.649	-
Day Crewing Plus	0.796	-	0.796	0.653	(0.143)	(0.008)	0.661	(0.135)
Lancaster Replacement	3.700	-	3.700	0.008	(3.692)	(3.692)	3.700	-
Other works	0.211	-	0.211	0.018	(0.193)	(0.308)	0.326	0.115
	5.251	0.105	5.356	0.956	(4.400)	(4.379)	5.336	(0.020)
ICT								
IT Systems	0.350	-	0.350	0.118	(0.232)	(0.124)	0.243	(0.107)
	0.350	-	0.350	0.118	(0.232)	(0.124)	0.243	(0.107)
Total Capital Requirement	**8.724**	**0.105**	**8.829**	**4.031**	**(4.799)**	**(4.613)**	**8.645**	**(0.185)**
Funding								
Capital Grant	3.010	-	3.010	0.523	(2.487)	(2.440)	2.963	(0.047)
Revenue Contributions	2.850	-	2.850	2.850	-	-	2.850	-
Earmarked Reserves	-	0.105	0.105	0.105	-	-	0.105	-
Capital Reserves	2.864	-	2.864	0.553	(2.311)	(2.173)	2.726	(0.138)
Total Capital Funding	**8.724**	**0.105**	**8.829**	**4.031**	**(4.799)**	**(4.613)**	**8.644**	**(0.185)**

CAPITAL BUDGET 2016/17

CAPITAL BUDGET 2016/17	Original Programme	Slippage	Additional Requirement	Revised Programme
Vehicles				
Pumping Appliance	0.950	-	-	0.950
Other Vehicles	0.420	0.110	-	0.530
	1.370	0.110	-	1.480
Operational Equipment				
Operational Equipment	1.000	-	-	1.000
	1.000	-	-	1.000
Buildings Modifications				
STC Redevelopment	0.200	0.372	0.280	0.852
Lancaster Replacement	-	3.692	-	3.692
Other works	-	0.315	-	0.315
	0.200	4.379	0.280	4.859
ICT				
IT Systems	0.200	0.124	-	0.324
	0.200	0.124	-	0.324
Total Capital Requirement	**2.770**	**4.613**	**0.280**	**7.663**
Funding				
Capital Grant	0.200	2.440	-	2.640
Revenue Contributions	2.750	-	-	2.750
Earmarked Reserves	-	-	0.200	0.200
Capital Reserves	(0.180)	2.173	0.080	2.073
Total Capital Funding	**2.770**	**4.613**	**0.280**	**7.663**

PART 1 ITEM No 7

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

YEAR END REVENUE OUTTURN 2015/16
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents:

- the revenue outturn position, which feeds into the Income and Expenditure Statement within the main Statement of Accounts;
- the impact of the revenue outturn position on reserves;

Recommendation

The Committee is asked to:-

- agree the virement in respect of S31 grant receivable;
- note the outturn position on the 2015/16 revenue budget;
- agree the proposed transfer of £43k from the DFM Reserve;
- agree the proposed transfer of £147k to the PFI Equalisation Reserve;
- agree the creation of a £1m earmarked reserve to fund potential penalties associated with the future repayment of Public Works Loan Board (PWLB) debt;
- agree the proposed net transfer of £824k from Other Earmarked Reserves and the purpose of these;
- note the decrease of £478k in the General Reserve.

Information

The Revenue Outturn Position

The annual budget for the year has been amended to reflect the increased Section 31 grant due in respect of localised business rates. At the time of setting the precept/budget the Section 31 grant is based on estimated figures which are then updated once final numbers are known, and which this year has resulted in an additional £0.23m of Section 31 grant being received. The outturn position shows net expenditure of £57.49m against an updated budget of £56.97m, giving a total overspend for the financial year of £0.52m. It should be noted that this position includes additional costs associated with the December floods of £0.177m, offset by a Bellwin claim for funding of £0.063m.

As reported throughout the year, the Service has identified savings at the earliest possible opportunity following the completion of reviews, and therefore held vacancies in advance of planned future establishment reductions, utilising this underspend to pay off a further £3.2m against the LGPS deficit during the year.

The final position within individual departments is largely consistent with that reported throughout the year, and specifically the forecast presented to the March Resources Committee. As previously reported, the majority of underspends during 2015/16 have been reflected in 2016/17 budgets. The detailed final revenue position is set out in Appendix 1, with major variances being summarised below (note as reported throughout the year the variances shown relate to non-pay spend, with the variance on the pay budget being shown separately): -

Area	Overspend / (Under spend)	Reason
	£'000	
Training & operational review	(66)	The outturn reflects the drawdown of the earmarked reserve set aside at the end of the last financial year to meet the costs of catch up training following on from the effects of industrial action on the training schedule. This training is now up to date.
Fleet & Technical Services	43	The outturn reflects the transfer of £232k into capital reserves to meet the costs of the relocation of the fleet workshop from Service Headquarters to the Training Centre during 2016/17.
Property	154	The majority of the outturn position reflects the costs of property repairs and maintenance, in line with the anticipated outturn position, specifically improvements to heating and hot water plants, general interior refurbishments and resurfacing drill yards at various sites, enabling works at Carnforth prior to the rebuild in the next financial year.
Service Delivery	(339)	As reported previously, the underspend relates to a combination of: • Smoke detectors underspent by £181k, in line with the anticipated outturn; • Utilities underspent by £73k, less than the previous forecast; • The remainder relates to underspends across many budget headings, which have been factored into the 2016/17 budget set.
Pensions	(95)	The underspend reflects the low number of ill health retirements during the year (one) compared to two ill health retirements budgeted.
Other Non DFM	2,032	The most significant item within this budget is the £3.2m transferred to the LGPS pension fund, as approved at the February CFA meeting to offset the current LGPS scheme deficit. This is partly offset by the £1m over provision for FF pension contributions as reported throughout the year. In addition, we have benefitted from fixed term deposits placed when interest rates were highest, resulting in £87k more interest receivable than budgeted.

Pay	(1,046)	The outturn position is in line with the forecast as presented at March Resources, reflecting the following significant underspends: • Wholetime (£621k) due to early leavers since the 2015/16 budget was set in December 2014; • Retained (£123k) due to vacant hours of cover across many locations as previously reported; • Associate trainers (£64k overspent) reflecting usage of these to carry out catch up training during the year; • Support Staff (£365k) due to vacancy management during the year, in particular relating to Prevention and Protection posts pending the outcome of the review, which was implemented in April 2016.

Delivery against savings targets

The following table sets out the target level of efficiencies required in 2015/16 and performance against this target: -

	Annual Target	Target at end of Mar
	£m	£m
Staffing, including Emergency Cover Review outcomes, functional saving reviews plus management of vacancies	1.917	2.962
Reduction in Property repairs and maintenance and utilities budgets	0.310	0.279
Reduction in Fleet repairs and maintenance and fuel budgets	0.171	0.463
Reduction in smoke detectors and fire safety consumables budgets	0.187	0.434
Reduction in capital financing charges	0.593	0.593
Reduction in scrap cars for training budgets	0.027	0.045
Procurement savings (these are calculated as the difference between the market price and the contract awarded, for example replacement support vehicles purchased under a framework agreement)	-	0.234
Balance – cash limiting previously underspent non pay budgets	0.223	0.223
Total	3.428	5.233

Performance exceeded the efficiency target, largely as a result of staffing savings made and Procurement savings in respect of contracts let during the year, which have been reported during the course of the year.

The Impact of the Revenue Outturn Position on Reserves

The Authority holds 3 specific earmarked reserves plus the general reserve and the impact of the year-end position on these are set out in the following table: -

	Earmarked Reserves				General Reserve	Total Reserve
	DFM Reserve	PFI Reserves	Other Earmarked Reserve	Total Earmarked Reserves		
	£m	£m	£m	£m	£m	£m
Balances at 31/3/15	0.457	3.293	5.488	9.238	10.664	19.902
Specific funds transferred to/(from) Earmarked Reserves	-	0.147	0.176	0.323	-	0.323
In-Year Revenue Outturn	(0.043)	-	-	(0.043)	(0.478)	(0.521)
Balances at 31/3/16	**0.414**	**3.440**	**5.664**	**9.518**	**10.186**	**19.704**

Devolved Financial Management (DFM)

This reserve enables budget holders to carry forward any surplus or deficit from one financial year to the next, giving greater flexibility in managing budgets thereby optimising the use of available financial resources and facilitating better value for money.

The principles of DFM are that any overspends and 50% of any underspends are carried forward into the new financial year, subject to a £25k maximum, other than where a specific business case could be made. The remaining 50% of any underspend is transferred to the authority's general reserve.

As a result of the above the DFM balance now stands at £414k, full details of which are set out in appendix 2.

PFI Equalisation Reserve

This is used to smooth out the annual net cost to the Authority of both PFI schemes, and will be required to meet future contract payments. The level of reserves required is reviewed each year to ensure that it is sufficient given changes in forecast inflation and interest rates. The reserves have been updated during the year, resulting in a revised balance of £3.4m.

Other Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level increased from £5.5m to £5.7m.

The following table sets out the year end position in respect of each earmarked reserve, as at 31 March 2016:-

	Balance at 31 March 2015	Transfer 2015/16	Balance at 31 March 2016	
	£m	£m	£m	
New Dimensions Funding	0.384	-	0.384	To fund further training/ expenditure in respect of the New Dimensions and the USAR team in future years.
Retained Bounties	0.078	-	0.078	Following the introduction of the New Fire-fighters Pension Scheme in April 2006 all accrued liabilities in respect of retained bounties were frozen at that point in time, with the amounts being set aside in this earmarked reserve. As these bounties become payable the reserve is used to offset the revenue cost of this, with the final payment due in 2016/17.
Insurance Aggregate Stop Loss (ASL)	2.192	(0.784)	1.408	The Authority's new insurance arrangements reduced the aggregate stop loss (ASL) on the combined liability policy by £0.250m, hence current insurance policies have a combined ASL of £0.654m (the self-insured loss liability for vehicles standing at £0.249m and the combined insurance liability standing at £0.405m). As such the reserve, combined with amounts within the revenue budget, provides sufficient cover to meet 3 years' worth of the maximum possible claims, i.e. the ASL, which has allowed the on-going revenue budget to be further reduced as part of the 2016/17 budget setting process. This reduction has been used to create the PWLB penalty reserve at the bottom of the table.
Backlog Maintenance	0.105	(0.105)	-	This reserve has been utilised in year to fund the capital programme, specifically the STC redevelopment spend.
Training Centre	0.364	(0.143)	0.221	This reserve was utilised to fund backlog training requirements in 2015/16 as reported in the capital outturn report, and the balance will be used to fund the remaining site improvement works in the capital programme in 2016/17.
ICT	0.158	(0.010)	0.148	This reserve will be used on future ICT projects in order to deliver improved ways of working and facilitate ongoing efficiency savings.

Youth Engagement Scheme	0.040	(0.002)	0.038	This reserve reflects income collected from various sources to fund area based youth related projects, such as Fire Cadets.
Equipment	0.090	-	0.090	This reserve has been created to smooth the timing effects of replacing equipment, and meet large one off purchases that would otherwise directly impact the revenue budget and lead to large fluctuations in revenue budgets each year.
Restructuring	1.827	0.226	2.053	This reserve was created to fund costs associated with any future restructuring programme following the completion and implementation of several ongoing and planned reviews, as well as providing scope to fund invest-to-save initiatives which provide opportunities for on-going savings. The draft revenue budget included full use of this reserve by March 2020.
Prince's Trust	0.250	(0.066)	0.184	This reserve is used to balance short term funding timing differences and also to mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found.
Public Works Loan Board Loan repayment penalty	-	1.000	1.000	This reserve has been created to meet the potential penalty costs associated with repayment of the PWLB loans. This is a notional amount as any penalties incurred will depend on both forecast interest rates and the remaining time to maturity, hence the actual penalty will be considered as part of the decision to repay the loans in due course, with any such decision being considered as part of future Treasury Management Strategy.
CFS Booklet	-	0.011	0.011	This reserve relates to external funding from a variety of sources that will be utilised during 2016/17 to fund the provision booklets that assists in delivering multi agency advice to farmers whilst facilitating the gathering of site specific risk information for operational purposes.
Bequest	-	0.049	0.049	During the year the Authority unexpectedly received a share of an estate, and despite attempts we have been unable to identify a connection to the Authority, hence we have set aside this money to fund a future improvement.
	5.488	**0.176**	**5.664**	

General Reserve

This reserve carries forward all surpluses and deficits that arise in year. As members are aware it is designed to cover uncertainties in current and future years' budgets, to meet short term loss of funding and to provide flexibility in terms of medium term financial planning.

As a precepting Authority any surpluses or deficits are transferred into/out of reserves in order to meet future potential commitments, and as such the balance of the deficit on the revenue budget, £0.5m, has been draw down from this reserve. After allowing for these the Authority now holds a General fund balance of £10.2m (18% of the net 2016/17 budget).

As Members are aware, on an annual basis the Treasurer is required to report on the adequacy of reserves given the risks faced by the Authority, setting out the minimum (£3.0m) and maximum (£10.0m) level of reserves which are considered appropriate. Based on the position set out above the current level of general reserves is slightly in excess of this. However the draft revenue and capital budgets for 2017/18-2019/20 include potential drawdowns in excess of £7m, which would put this level of reserve at the bottom end of our target range.

Financial Implications

As outlined in the report.

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
Reason for inclusion in Part II, if appropriate:		

Appendix 1

BUDGET MONITORING STATEMENT

	Total Budget	Actual Spend to Mar 2016	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Transfer (to)/from DFM reserves	Transfer (to)/from Earmarked reserves	Transfer (to) /from General reserves
DFM Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Training & Operational Review	2,634	2,652	18	84	(66)	18	-	-
Fleet & Technical Services	2,371	2,386	15	(28)	43	15	-	-
Executive Board	999	926	(73)	(2)	(71)	-	-	(73)
Corporate Communications	243	238	(6)	7	(12)	-	-	(6)
Human Resources	523	492	(31)	(22)	(9)	-	-	(31)
Occupational Health Unit	185	187	2	2	-	2	-	-
Central Admin Office	364	366	2	12	(10)	2	-	-
Finance	137	135	(2)	-	(2)	(1)	-	(1)
Procurement	743	751	8	(14)	23	8	-	-
Property	1,415	1,569	154	(0)	154	4	-	150
Safety Health & Environment	170	165	(5)	12	(16)	-	-	(5)
Prince's Trust Volunteers Scheme	-	-	-	-	-	-	-	-
Service Development	1,624	1,568	(56)	(51)	(5)	-	-	(56)
Control	1,049	1,049	-	-	-	-	-	-
Information Technology	2,127	2,116	(11)	(13)	1	(6)	-	(6)
Service Delivery	34,562	33,132	(1,430)	(1,031)	(399)	-	-	(1,430)
External Funding	-	(4)	(4)	1	(5)	(2)	-	(2)
Special Projects	32	32	-	(4)	4	2	-	(2)
TOTAL DFM EXPENDITURE	49,177	47,759	(1,418)	(1,048)	(370)	43	-	(1,461)
Non DFM Expenditure								
Pensions Expenditure	1,251	1,156	(95)	-	(95)	-	-	(95)
Other Non-DFM Expenditure	6,542	8,575	2,034	2	2,032	-	-	2,034
NON-DFM EXPENDITURE	7,793	9,732	1,939	2	1,937	-	-	1,939
TOTAL BUDGET	56,969	57,491	521	(1,046)	1,567	43	-	478

Appendix 2

DFM RESERVES

DFM Expenditure	**DFM Balance B/Fwd**	**DFM Contribution**	**DFM Adjust ment**	**DFM Jnl**	**DFM Balance C/Fwd**
	£000	**£000**	**£000**	**£000**	**£000**
Training & Operational Review	(25)	18	-	18	(7)
Fleet & Technical Services	(25)	15	-	15	(10)
Executive Board	(25)	(37)	37	-	(25)
Corporate Communications	(25)	(3)	3	-	(25)
Human Resources	(25)	(15)	15	-	(25)
Occupational Health Unit	(7)	2	-	2	(5)
Central Admin Office	(25)	2	-	2	(23)
Finance	(9)	(1)	-	(1)	(10)
Procurement	(25)	8	-	8	(17)
Property	(4)	154	(150)	4	-
Safety Health & Environment	(25)	(2)	2	-	(25)
Prince's Trust Volunteers Scheme	(25)	-	-	-	(25)
Service Development	(25)	(28)	28	-	(25)
Control	-	-	-	-	-
Information Technology	8	(6)	-	(6)	2
Service Delivery	(150)	(677)	677	-	(150)
External Funding	(11)	(2)	-	(2)	(14)
Special Projects	(34)	2	-	2	(31)
Pay					
TOTAL DFM EXPENDITURE	(457)	(568)	612	43	(414)
Non DFM Expenditure					
Pensions Expenditure	-	-	-	-	-
Other Non-DFM Expenditure	-	-	-	-	-
NON-DFM EXPENDITURE	-	-	-	-	-
TOTAL BUDGET	(457)	(568)	612	43	(414)

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PART 1 ITEM No 8

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

STATEMENT OF ACCOUNTS 2015/16
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2016.

Recommendation

The Resources Committee is asked to approve the Statement of Accounts

Information

The Combined Fire Authority's Statement of Accounts is attached as Appendix 1. Whilst the Statement takes account of the information presented in the Year End Capital Outturn, Year End Treasury Management Outturn and Year End Revenue Outturn, as presented the Statement of Accounts itself is prepared in line with recommended accounting practice. However it must be borne in mind that this is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report. Furthermore, this means that it is a very complicated document.

The Statement of Accounts is subject to review by the Authority's external auditors, Grant Thornton, which is scheduled to take place in June and July. A further report will be presented to the Audit Committee at a future meeting, once this is completed, with the final Statement of Accounts represented to the Resources Committee for information.

The Statement will be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2016.

Under existing regulations the Chair of the Committee approving the accounts has responsibility for signing and dating these. The aim of this requirement is to: -

- Encourage audited bodies to produce timely accounts of a good quality
- Promote the concept of corporate governance

The Statement of Accounts will be placed on deposit for public inspection in July.

Overview of the Statement of Accounts

The content and format of the accounts is as prescribed in the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following gives a brief explanation of the main components of the Accounts and the key issues within them: -

Narrative Report
Sets out the financial context in which the Combined Fire Authority operates, and provides an overview of the financial year 2015/16 as well as details of future plans.

Annual Governance Statement
This reflects the position the Authority has reached in connection with corporate governance, including internal controls and risk management, including a review of the effectiveness of these arrangements, as reported at the Audit Committee in June.

Auditors Report and Opinion
This sets out the Auditors opinion on the Statement of Accounts, and is subject to the results of the outstanding audit work which will commence in June.

Statement of Responsibilities
This sets out the responsibilities of the Authority and the Treasurer in terms the overall management of the Authority's finances and in terms of the production of the annual accounts.

Movement In Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into:-

- Usable Reserves - those that the Authority may use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use
- Unusable Reserves – those include reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences 'between accounting basis and funding basis under regulations'.

The main points to note are:-

Surplus/(Deficit) on provision of services	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. However it must be borne in mind that this is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report.
Charges for depreciation and impairment of non-current assets	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year

Amortisation of intangible assets	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Disposal of assets	This shows the net position on relation to the sale of assets during the year, including the capital receipt, the book value of the asset at sale, and any losses or gains arising from that sale
Capital grants applied	This shows the level of capital grants, received from the Government, that have been utilised in the year or moved into a reserve pending future usage
Provision for the repayment of debt	This is the charge made against the revenue budget to reduce future borrowing requirements, calculated in accordance with the methodology agreed as part of the Authorities Treasury Management Strategy 2014/15 and budget setting 2015/16.
Capital expenditure charged against General Fund Balance	This is the level of capital expenditure, both current and future years, which has been funded from contributions from the 2015/16 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Amount by which the Code and the statutory pension costs differ	This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
Amount by which collection fund income in the comprehensive income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements	This shows the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the amount collection authorities have actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate, the deficit in 2015/16 reflecting the fact that authorities have collected less business rates than anticipated.

Net increase/decrease before transfers to earmarked reserves	This shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from earmarked reserves	These represents the transfers to specific earmarked reserves referred to in the Year End Revenue Outturn report and to the capital funding reserve referred to in the Year End Capital Outturn report
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the increase in the amount of leave owing to staff as at year end.

Increase/Decrease in the year	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don’t affect council tax and any transfers to/from earmarked reserves. The following table sets out the changes from the surplus of the revenue outturn report to the figure reported here £m Revenue Budget Position 0.521 Transfer from earmarked reserve – DFM balances (0.043) Deficit on provision of services 0.478 The movement on earmarked reserves ties in to the Year End Revenue Outturn report. £m Transfer to earmarked reserves 0.323 Transfer from earmarked reserve – DFM balances (0.043) 0.280 The net decrease on the capital funding reserves (£0.321m), and the net increases in capital receipts (£0.314m) and capital grants unapplied (£2.479m) agree to the Year End Capital Outturn report
Balance at 31 March 2016 carried forwards	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie in to the values shown in the Year End Revenue and Capital Outturn reports

<u>Comprehensive Income & Expenditure Account</u>

This statement shows the accounting cost in the year of providing services. It is a summary of the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The main points to note are: -

Community Fire Safety	The cost of community fire safety shows reductions when compared with the previous year, largely the result of both vacancies held, underspends on the smoke detectors budget and the adjustment required in respect of pension liabilities under IAS 19.
Fire Fighting And Rescue Operations	The cost of fire fighting and rescue operations shows reductions when compared with the previous year, the result of both vacancies held and the adjustment required in respect of pension liabilities under IAS 19. It is also worth noting that whilst this years accounts included the one-off net cost of flooding (£0.1m) previous years accounts have included the additional costs incurred in relation to industrial action (2014/15 £0.3m and 2013/14 £0.3m).
Emergency Planning	This relates to costs associated with the Fire Authority discharging its functions in connection with the Civil Contingencies Act 2004.

Corporate And Democratic Costs	This heading covers costs associated with the running of the Authority, such as Members costs, Treasurers and Clerks services, Audit fees, together with a proportion of the Services Senior Managers time associated with corporate responsibilities.
Non-Distributable Costs	Included within this heading are the costs associated with any early retirements and past service costs adjustments arising from IAS 19 accounting policies.
Interest Payable	The level of interest payable in respect of current loans is £0.3m as shown in the Year End Treasury Management Outturn report. In addition to this interest charges associated with the PFI scheme and finance leases totalled £1.4m, in line with the previous years charges.
Pension Interest Cost And Expected Return On Assets	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions scheme is unfunded there is no increase in asset value to offset the increase in scheme costs is resulting in a £22.0m charge to the Income and Expenditure Account.
Interest Receivable	The level of interest earned on investments remains at £0.4m, due to higher interest rates earned for fixed term deposits placed during the year, as reflected in the Year End Treasury Management Outturn report.
Council Tax	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Revenue Support Grant	The level of Revenue Support Grant allocated to the Authority by the Government.
Non-Domestic Rates Redistribution	Amounts raised through non domestic rates, including the Authority's element of business rates collection fund surplus accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part of the localisation of business rates. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Capital Grant Income	This shows the level of capital grants, received from the Government, that have been utilised in the year, as referred to in the Year End Capital Outturn report, or transferred to the capital grants unapplied account for use in 2016/17.
Business rates S31 grant	This grant is allocated to the Authority by the Government, and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Council Tax Freeze Grant	This shows the level of council tax freeze grant received from the Government during the 2014/15. The Authority approved a council tax increase of 1.9% for 2015/16, hence no grant is due in this year.

<table>
<tr><td>Deficit On The Provision Of Services</td><td>The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months, and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pensions schemes. As such this does not show the actual surplus when comparing spend against council tax.</td></tr>
<tr><td>(Surplus)/Deficit On Revaluation Of Non-Current Assets</td><td>This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.</td></tr>
<tr><td>Actuarial (Gains)/Losses On Pensions Assets And Liabilities</td><td>This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.</td></tr>
<tr><td>Total Comprehensive Income And Expenditure</td><td>This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation. As such in order to aid understanding the following table shows the comparison between the revenue budget position, as set out in the Year End Revenue Outturn report, and the Total Comprehensive Income And Expenditure figure.
<table>
<tr><td></td><td>£m</td></tr>
<tr><td>Revenue Budget Position</td><td>0.521</td></tr>
<tr><td>Transfer to earmarked reserve – DFM balances</td><td>(0.043)</td></tr>
<tr><td>Decrease in general fund balance – agrees to Movement In Reserves Statement</td><td>0.478</td></tr>
<tr><td>Accounting for pensions under IAS19</td><td>14.928</td></tr>
<tr><td>Various other adjustments not affecting council tax</td><td>(2.351)</td></tr>
<tr><td>Removal of transfers (to)/from earmarked reserves</td><td>(0.646)</td></tr>
<tr><td>Deficit on the provision of services</td><td>12.409</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Deficit on revaluation of non-current assets</td><td>(5.564)</td></tr>
<tr><td>Actuarial loss on pensions assets and liabilities</td><td>(42.156)</td></tr>
<tr><td>Total Comprehensive Income And Expenditure</td><td>(35.311)</td></tr>
</table></td></tr>
</table>

<u>Balance Sheet</u>

The 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.

The main points to note are: -

Long Term Assets	
Property, Plant & Equipment	The value of property, plant & equipment has increased by £5.6m, due to the level of capital expenditure (£3.9m as shown in the Year End Capital Outturn report) and the net revaluation gains of £5.8m compared with a depreciation and impairment charges of £3.8m, and the sale of the old Chorley fire station site which had a book value of £0.3m.
Intangible assets	Intangible assets are assets which do not have a physical form, such as software, which are broadly in line with last year, representing the level of capital expenditure less amortisation of these assets, reflecting their use.
Long Term Investments	The Authority holds two investments with Local Government bodies which are classed as long term investments, ie over 12 months in duration.
Current Assets	
Inventories	The value of stock held has remained broadly in line with last year.
Short-Term Debtors	Debtors represent monies owed to the Authority on 31st March 2016. In order to improve cash flow this figure should be as low as possible, however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The level of debtors at the year-end has decreased by £0.5m, the majority of which reflects the increase in the amount owed to the Authority by the FF pension fund in the form of top up grant due during July 2016.
Cash & Cash Equivalents	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report.
Current Liabilities	
Short-Term Borrowing	This shows the borrowing and interest due to be repaid within the next 12 months, which simply reflects the maturity dates of loans previously taken out.
Other Short-Term Liabilities	This relates to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short term element of finance leases.
Short-Term Creditors	This figure represents the amount of money we owe to other bodies at 31st March 2016. The overall balance is broadly in line with last year.
Long Term Liabilities	
Provisions	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the potential costs associated with Retained Fire-fighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms, and also the Authorities share of billing authorities business rates outstanding appeals.
Long-Term Borrowing	The Authority has £5.5m of borrowing which is due for repayment between 1 April 2017 and 30 June 2037 which has historically been used to fund capital investment, as referred to in the Year End Treasury Management Outturn report. The balance on this account relates to accrued interest owed at the end of the financial year, which will be paid in line with agreed payment dates.

Other Long-Term Liabilities	This majority of this relates to adjustments required under IAS 19, and shows the extent to which the authorities liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £672m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; • PFF Lancashire Ltd for the provision of two fire stations, • Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to outstanding finance leases.

Financed By	
Usable Reserves:	
Revenue Reserves	This is the level of reserves, £19.7m, that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves as referred to in the Year End Revenue Outturn report.
Capital Funding Reserve	This reserve holds £10.3m of balances to fund future capital expenditure.
Capital Grant Unapplied	This reserve holds the balance of the capital grant received in 2015/16, which will be spent during 2016/17.
Usable Capital Receipts Reserve	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. To class as capital receipts the value of the sale must exceed £10,000. The increase in the year reflects the sale of Chorley old fire station and one of our Command Units.
Unusable Reserves:	
Revaluation Reserve	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Capital Adjustment Account	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Pensions Reserve	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
Collection Fund Adjustment Account	This account reflects the net effect of the adjustments required to show our share of each billing authority's council tax and business rates debtors and creditors at year end, in our case this shows a surplus of £65k.

Accumulated Absences Adjustment Account	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position.

<u>Cash Flow Statement</u>
The cash flow statement shows the changes in cash and cash equivalents of the 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 main points to note are:-

Net Cash Flows Arising From Operating Activities	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc, offset by payments made in respect of employee costs and non pay costs etc.
Investing Activities	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as £4.0m of expenditure on capital assets, which are referred to in the Year End Capital Outturn report.
Financing Activities	This shows cash flows relating to borrowing activities, in our case £0.3m, which equates to the repayment of borrowing in respect of PFI and finance lease arrangements, but which is included in the overall charges against the revenue budget in respect of these assets, and in addition the actual level of interest payments made during the year.
Cash and cash equivalents at the end of the reporting period	This shows the net cash immediately available within the Authority in a call account with LCC. The increase in value of £3.0m is in line with the previous years' net increase.

<u>Notes To The Core Financial Statements</u>
These provide more detailed notes to the figures contained within the core financial statements of the accounts.

Included within this section are the Accounting Policies that have been adopted by the Authority and used in order to produce the set of accounts, and indicates compliance with relevant codes of practice.

As in previous years the accounts have been prepared taking account of International Accounting Standard (IAS) 19, which requires all future costs of retirement benefits to be recognised in the accounts in the year in which they are earned by the employee, regardless of when they will be paid. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £672m. However, it should be noted that this requirement is a technical accounting requirement and does not impact on the authority's income or expenditure funded from its cash resources, or on the council tax payers of Lancashire.

Note 25 to the accounts (on pages 59 to 61) provides a link between the statement of accounts Comprehensive Income and Expenditure Statement and the financial monitoring reports presented to Resources throughout the year.

Fire Fighters Pension Fund
This statement on page 63 sets out the income and expenditure attributable to the fire fighters pension fund, showing that the CLG owes the Authority a further £3.4m in order to balance the account to nil, and reflects the changes to pensions funding arrangements.

Glossary of Terms
Provides an explanation of the main accounting terms used in the Statement of Accounts.

Financial Implications

As outlined in the report.

Business Risk Implications

The Statement of Accounts sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
SORP and Guidance	February 2016	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	June 2016	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Appendix 1

Lancashire Fire and Rescue Service

STATEMENT OF ACCOUNTS

2015/16

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2015/16

CONTENTS

NARRATIVE REPORT

The Lancashire Combined Fire Authority (CFA) was established as a free-standing body from 1 April 1998. It sets its own budget, holds its own reserves, raises its own council tax and receives funding direct from the Government and through business rates.

The Fire Authority must prepare and publish a Statement of Accounts annually. Its purpose is to give electors, local taxpayers, Fire Authority Members, employees and other interested parties clear information about the Fire authority's finances.

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2015/16
- how these services were paid for
- what assets the Fire Authority owned at the end of the financial year, and
- what was owed, to and by, the Fire Authority at the end of the financial year.

This foreword gives a guide to the most important matters included in the Statement of Accounts.

Contents of this Statement of Accounts

This Statement of Accounts covers the financial year ended on 31 March 2016 (referred to as 2015/16). It has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The Statement contains:

Annual Governance Statement – Sets out the Authority's responsibilities with regard to the system of internal control and corporate governance.

Auditor's Report – The Auditor's report to the CFA on the accounts for 2015/16, which are set out in the sections shown below.

Statement of Responsibilities for the Statement of Accounts – Sets out the responsibilities of the Authority and the Treasurer with regards to the statement of accounts.

Movement In Reserves Statement – This statement shows the movement in year on the different reserves held by the Fire Authority analysed between usable and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Fire Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income & Expenditure Account - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Fire Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2016, including the level of balances and reserves at the Fire Authority's disposal, its long term indebtedness and the value of the assets held by the Fire Authority.

Cash Flow Statement – This shows the cash and cash equivalent movements in and out of the Fire Authority due to transactions with third parties for revenue and capital purposes.

Fire Fighters Pension Fund Account – Shows the financial position of the fire fighters pension fund account, showing whether the Authority owes, or is owed, money by the Government in order to balance the account, together with details of its net assets.

Review of the Year

In 2015/16 we have continued to successfully deliver a balance of prevention, protection and emergency response services whilst targeting our resources based on a thorough risk assessment.

Emergency Cover Review changes have been completed with the creation of the USAR team and Day Crewing Plus at Bamber Bridge and Chorley, delivering a saving of £1.6m whilst marinating response standards. Chorley Retained Duty System (RDS) team has also relocated to the new Chorley Fire Station. A new RDS team for Lancaster has been recruited and trained, and will go live in late 2016 replacing the existing second whole-time pump and delivering savings of £0.9m. Skelmersdale Fire Station will also move onto the Day Crewing Plus system at the start of the new financial year.

Responsibility for the Fire Service nationally has transferred to the Home Office. New legislation will enable a Police and Crime Commissioner to take over governance of a fire and rescue service if there is local support. At the present time there are no indications that this is the case in Lancashire. The legislation will also require us to consider collaboration with police and ambulance in developing and delivering activities. We already work collaboratively with many partners and are well respected by these partners and are supported by the public in these collaborations:-

- 2015/16 saw the implementation of gaining entry support to North West Ambulance Service across the county, removing some of the burden previously placed on Lancashire Constabulary to undertake this activity. So far, we've helped nearly 700 people get the medical assistance they needed more quickly – 80% within ten minutes of the call to us.
- It also saw the introduction of the first nationally approved community first responder scheme with North West Ambulance Service in Morecambe and Ormskirk, attending over 450 incidents and ensuring that the public get the quickest possible assistance to specific types of medical emergencies, thus improving survival rates.
- We have continued to explore opportunities to share sites with other public bodies, and are in the process of finalising plans for a joint Fire & Ambulance Station in Lancaster, which is part funded by Government grant. This will be the third station that we share with North West Ambulance Service, after Darwen and Preston Fire Stations. We are also reviewing options around Morecambe Fire Station. In addition we already share Preesall Fire Station with the Police and with Sure Start.

We have developed a new Home Fire Safety Check Service, with a new website, online risk assessment and automated visit booking system. The system screens out those who are at a lower risk of fire, providing them with a tailored on-line check service. This frees up crews to concentrate on making home visits to those most at risk and already we have seen a 13% increase in the number of visits we make to "high risk" people.

Successful campaigns included "dying for a dip" – a high-impact education package with hard hitting case studies to promote water safety and a campaign to highlight the dangers of loose clothing. Other key prevention activity included sharing the stage with the Wasted Lives team to introduce a new session, "Safe Drive: Stay Alive".

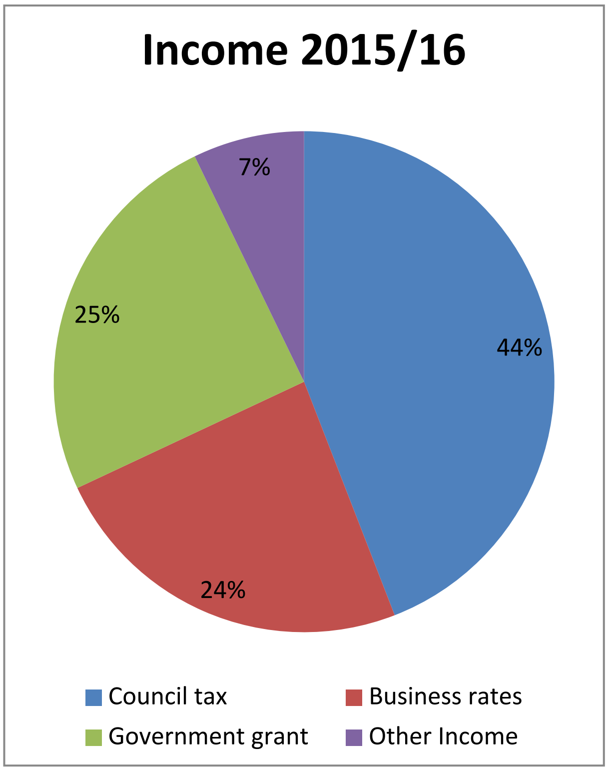
Further information relating to our performance can be found on our website at (to be updated once performance report is on the website)

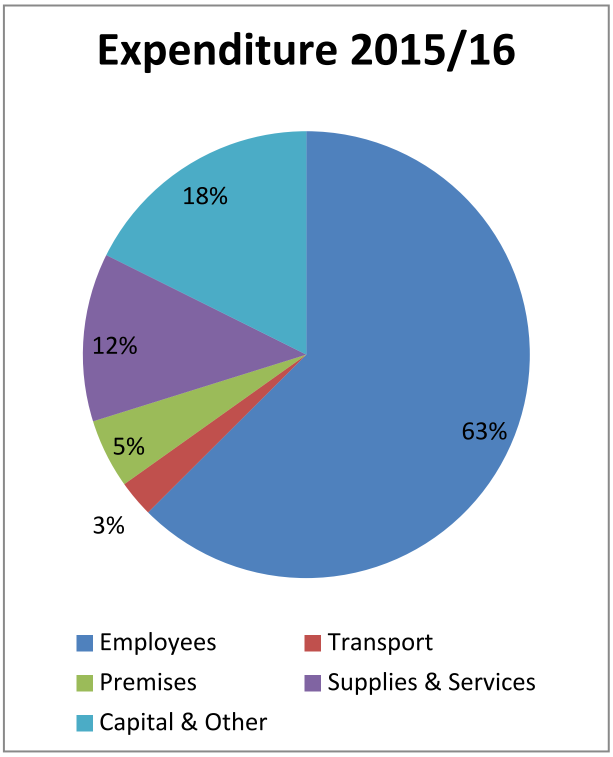
The 2015/16 Financial Overview

The Authority's spending is planned and controlled by an annual budget process, which leads to the setting of its budget requirement. Expenditure on the day-to-day running costs of the service is determined through the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

In setting its budget the Authority continued to balance the need to invest in service improvements, with the need to deliver efficiency savings and set a balanced affordable budget. Government funding, excluding specific council tax freeze grant, fell by £2.9m. The Authority had to identify efficiencies of £3.4m in order to offset financial pressures in order to deliver an acceptable budget. This resulted in a gross revenue budget of £56.7m, a reduction of 2.7%. This resulted in a council tax of £64.86, an increase of 1.9%, which is just under £1.25 per week. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.(subsequent to this the Authority received an additional £0.2m of Section 31 grant relating to Business Rates, increasing its total budget, as set out below, to £57.0m.)

Actual net expenditure for the year was £57.4m. The following charts show a breakdown of where the monies we receive come from and how we spent this:





A summarised comparison of the Fire Authority's expenditure for the year compared with budget is set out below:

Spend/income type	Budget £000	Spend £000	(Under)/ over spend £000
Employees: pay costs	39,525	38,479	(1,046)
Other employee related costs	638	199	(439)
Premises	3,090	3,104	14
Transport	1,937	1,630	(307)
Supplies & services	7,743	7,535	(208)
Capital financing costs & other	8,009	10,917	2,908
Total Expenditure	60,942	61,864	923
Income	(3,972)	(4,417)	(445)
Budget requirement	56,969	57,448	478
Funded by:			
Council tax	(27,074)	(27,074)	-
Business rates	(14,686)	(14,686)	-
Government grant	(15,209)	(15,209)	-
	(56,969)	(56,969)	-
Net Overspend	-	478	478

The Authority maintained its process of targeting reductions in expenditure, including its on-going recruitment freeze in order to enhance its financial position to deal with on-going funding reductions, generating savings of £5.2m in year against an anticipated target of £3.4m. The net revenue position shows a large underspend on pay, as a result of staffing vacancies being held throughout the year pending forthcoming planned reductions in establishments. This is negated by an overspend against capital financing and other costs, which reflects the Authority's decision to make an additional voluntary payment of £3.2m to the Local Government Pension Fund to reduce future liabilities and hence reduce the overall cost of this scheme in future years.

The following reconciliation shows the comparison between the revenue budget position, as set out above, and the Total Comprehensive Income and Expenditure figure reported in the accounts on page 21.

	£m
Revenue Budget Position	0.521
Transfer from earmarked reserve – DFM balances	(0.043)
Accounting for pensions under IAS19 (see Movement in Reserves Statement, page 19)	14.928
Various other adjustments not affecting council tax	(2.393)
Removal of transfers (to)/from earmarked reserves	(0.604)
Surplus on the provision of services (see Comprehensive Income and Expenditure Statement, page 21)	12.409
Surplus on revaluation of non-current assets	(5.564)
Actuarial loss on pensions assets and liabilities	(42.156)
Total Comprehensive Income And Expenditure (see Comprehensive Income and Expenditure Statement, page 21)	(35.311)

Whilst the Authority has utilised £0.5m of general fund balance it still holds £10.2m, which is broadly in line with the current target level identified by the Treasurer (a minimum of £3.0m and a maximum of £10.0m). This gives greater capacity to cope with funding cuts in the short term whilst appropriate efficiencies are made within the Service, and the on-going use of reserves is a key element of the Authority's future financial plans. It is worth noting that the latest medium term financial strategy, identified at the time of setting the 2016/17 budget, shows approx. £7m of reserves being used by March 2020 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £9.5m of earmarked revenue reserves and £11.8m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £6.2m and £2.9m respectively by the end of 2018/19.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £4m, as set out below:-

Capital Budget	Spend 1516 £m
Vehicles	
Pumping Appliances – completion of 5 Pumping Appliances from the 2014/15 capital programme, and completion of 5 Pumping Appliances in the 2015/16 programme.	1.6
Operational Support Vehicles – purchase of two aerial ladder platforms, in addition to various support vehicles, such as vans and cars	1.3
Buildings	
Training Centre site works, including replacement of the emergency generator, works to Lancaster House and work relating to on site training props	0.3
New accommodation at Skelmersdale and Bamber Bridge Fire Stations in order to facilitate the ‘Day Crewing Plus’ crewing system, to deliver long term efficiency savings	0.7
ICT	
Implementation of an asset management system, and purchase of a replacement training course and skills management system	0.1
Total	4.0

The service was successful in bidding for £3.0m of capital grant, provided by the government, in order to deliver longer term efficiency savings. This funded the conversion of Skelmersdale Fire Station onto the Day Crewing Plus system, as well as providing £2.4m of grant to contribute to the cost of redevelopment of Lancaster Fire Station in order to provide a joint Fire and Ambulance Station. However due to delays in identifying a suitable site work on this scheme did not occur in 2015/16 but is scheduled to commence in 2016/17. As part of this project the Authority purchased an adjacent property in May 2016.

The Balance Sheet shows that the Authorities Total Net Liabilities decreasing to £573m. However this reflects the Authorities compliance with International Financial Reporting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority’s overall pension liability of £672m is extremely large. If this liability was excluded the Authorities Total Net Assets would have increased to £98m.

Long term assets have increased in value to £90.0m, reflecting the expenditure incurred in year and the net outcome of revaluations. Included within this is the disposal of the old Chorley Fire Station site.

Long term borrowing has reduced to £5.6m, as maturing loans are paid off in line with the Treasury Management Strategy. Funds continue to be set aside to provide scope to repay debt in future years, utilising balances previously charged to revenue in the form of Minimum Revenue Provision (MRP), as well as this year’s £0.2m additional voluntary MRP payment.

Future Financial Plans

The Government's drive to tackle the national funding deficit and the resultant impact of this on public spending continues to dominate the financial plans for the public sector as a whole. The 2016/17 Local Government Finance Settlements identified a reduction of £1.9m grant. At the same time the Government again indicated its intention to minimise council tax increases identifying a 2% threshold for increases above which the Authority would need to hold a local referendum (note a referendum is estimated to cost in excess of £1.5m).

The Authority has maintained its position of attempting to minimise the impact of funding cuts on council tax payers and has therefore agreed a savings programme which will deliver £2.5m of savings in 2016/17. These are partly offset by costs associated with the need to recommence recruitment in 2016/17 and with the additional investment proposed for various other areas, most notably the Retained Duty System. Overall these changes result in a revenue budget of £55.6m, a reduction of 2.0%. Based on this the budget limits the increase in council tax to 1.0%, giving a revised council tax of £65.50, an increase of £0.64.

As part of the Local Government Finance Settlement the Secretary of State announced an offer of four year funding settlements for local authorities in return for publishing an efficiency plan. The Authority is currently determining whether to apply for this.

Based on the four year indicative settlement funding will fall by 19%, £5.5m. We will continue to deliver a further £1.1m of savings (£3.6m over the four years). Despite this we will still be faced with a funding gap of up to £1.4m in 2019/20, and hence we will continue to utilise reserves and identify savings in order to deliver a balanced budget in the medium term.

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

In light of this the capital budget continues to invest in our asset base, in particular vehicle replacement, refurbishment/replacement of stations, new IT requirements and new operational equipment. This gives rise to a capital program of £20m over the next five years.

This includes the re-build of Preston Fire Station, and we will start to look at options for this in the new financial year although any building works are unlikely to start until the latter part of 2017/18.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes funding for new equipment arising from the research and development project, as well as the replacement of our thermal imaging cameras, BA sets and telemetry and our cutting/extrication equipment over the next five years

This can be funded from a combination of revenue contributions, specific capital grant provided by the government, capital reserves and receipts and general reserves. As such the capital programme is affordable, sustainable and prudent.

The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates or within the level of reserves currently held:-

- Further reductions in funding levels, over and above those included in the provisional four year figures included in the Local Government Finance Settlement;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pensions costs/contributions,

- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements
- Increased cost of partnership arrangements
- Inadequacy of insurance arrangements
- Increasing capital financing charges due to higher interest rates, although clearly the risk of this is reduced due to the policy of paying off debt as it matures.

Accounting Changes

The accounts have been prepared in accordance with the requirements of the latest Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2015/16 (the Code).

STATEMENT ON ANNUAL GOVERNANCE ARRANGEMENTS BY THE CHAIRMAN OF THE COMBINED FIRE AUTHORITY, THE TREASURER TO THE COMBINED FIRE AUTHORITY AND THE CHIEF FIRE OFFICER

Scope of Responsibility

Lancashire Combined Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Included within the Code are the following core principles:-

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Code-of-Corporate-Governance.pdf)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the 2015/16 Statement of Accounts.

The Governance Framework

The Governance framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of Corporate Governance included in our Code and include:-

- The Integrated Risk Management Plan sets out the strategic focus and medium term ambitions for the Authority including its objectives; how these will be achieved and measured; key projects and strategies to be developed out of the Plan and description of how we conduct our business. The current plan covering 2013-2017 was approved this year and can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated%20Risk%20Management%20Plan.pdf

- Annual Service Plan, setting out Vision, Activities, Priorities and Values. The current plan covering 2016-17 was approved this year and can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Annual-Service-Plan.pdf

- A Communication Strategy and the Consultation Strategy;

- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;

- A Corporate Programme Board to provide oversight across 3 areas:-
  - Business Process Improvement Programme
  - Workforce Development Programme
  - Service Delivery Change Programme.

  All major projects and reviews follow similar format and report to Corporate Programme Board

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
  - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
  - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
  - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements
  - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
  - The Appeals Committee -To hear relevant appeals, grievances and complaints

- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;

- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;

- Comprehensive suite of strategies and policies in place and regularly reviewed

- Codes of Conduct for members and officers, and member/officer protocol, that set out clear expectations for standards of behaviour;

- Both the Monitoring Officer and Treasurer are involved in the Authority's decision making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;

- The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government (2010);

- Well publicised arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;

- A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed

- Comprehensive Business Continuity arrangements in place, and tested on a regular basis

- A Partnership Protocol which sets out arrangements for entering into partnerships;

- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet.

- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements.

- Comprehensive service review process in place, comprising external views in the form of Peer Assessment/Operational Assurance review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

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 the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance has been discussed and approved by the Executive Board as to the effectiveness of the governance arrangements for which it is responsible, including the system of internal control. The statement of assurance covers all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements are in all cases at least adequate and in the majority of areas good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:-

- The introduction of the Annual Service Plan, has provided greater clarity, both internally and externally, on our four priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities.

- The introduction of the Corporate Programme Board arrangements has driven further improvements in terms of delivering our objectives and managing projects and reviews

- Revised Risk Management arrangements have bene implemented, focusing more on key risks and the link to Corporate Programme Boards and major projects.

- Business Continuity arrangements have been tested throughout the year, due to the major flooding that occurred in December, and area currently being updated to provide a more flexible response

- An updated Workforce Development Strategy has bene agreed

- The Audit Committee has undertaken a self-assessment exercise to ensure it discharges its requirements in an effective manner. This did not identify any significant weaknesses.

- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.

  As part of the 2015/16 audit plan the auditors undertook various reviews and gave the overall opinion that they can provide substantial assurance over the internal control environment, governance and risk management arrangements for 2015/16, and that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service and controls were generally applied consistently;

- Grant Thornton provide an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2014/15:
    - an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2015 and its income and expenditure for the year

- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified short form assurance statement on the Authority's Whole of Government Accounts submission

Last year's Annual Governance Statement identified the following areas for improvement:-

Area for Improvement	Action to date	Completed/ On-going
Develop revised Risk Management Strategy	New Risk Management Strategy agreed and implemented, incorporating removal of Directorate Risk Registers to reduce bureaucracy and reference to Corporate Programme Board process which includes a risk assessments for all major projects/reviews	Completed
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:- • Knowledge Management Strategy. • Records Management Strategy. • Information Governance Strategy. • System Integration Strategy. • User Support Strategy. The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken	On-going
Improvements highlighted in the Services Operational and Organisational Assessment Improvement Plans need to be completed	All improvements have been completed.	Completed
The Workforce Development Strategy to be reviewed in light of changing age profile	An updated Workforce Development Strategy was agreed in March. Incorporating updated retirement profiles	Completed
Undertake a Governance review, including reviewing Terms of Reference for Committees, Standing Orders, Scheme of Delegation and Financial Regulations	This work remains outstanding	On-going
Undertake a new Audit Committee self-assessment based on latest CIPFA guidance (self-assessment undertaken in 2014/15 based on old guidance)	An updated self-assessment was agreed in March.	Completed
Review partnership engagement and opportunities	Following work streams being progressed:- • Safe and Well visits – identified 6 key	On-going

	areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes. • Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services • Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan • Volunteer work stream is progressing with the use of volunteers in delivering Fire Cadets. • Group Manager has been seconded within Lancashire Constabulary to consider opportunities for joint working.	
Develop a more flexible way of ensuring the delivery of our business continuity arrangements	A new process has bene agreed. All departments have completed Business Impact Assessments and are finalising recovery plans. The strategic plan is near completion with input outstanding from tactical plans The tactical plan for the displacement of staff from SHQ is in development.	On-going
Deliver services digitally to the public using web technology	A new Internet site has bene introduced. The HFSC project has delivered services digitally to the public using web technology. Further work is required in order to agree other areas for development	On-going
Develop a staff engagement strategy and improvement action plan	A strategy and action plan was produced and has delivered a number of items e.g. Staff barometer, development of a strategic narrative, introduction of revised annual service plan with programme of team briefs. Further work required to look at reviewing staff recognition and developing staff sounding boards	On-going
Introduce a formal coaching and mentoring programme	Coaching & mentoring training rolling out to Supervisory Managers Managers in development have mentors appointed Coaching programme being developed	On-going

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service has in place a satisfactory system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Whilst no significant governance issues were identified, the review has highlighted a number of areas for further improvement, as well as the outstanding recommendation from last year's statement, referred to earlier:

- Deliver a new model for the assurance of service delivery activities and review our station audit process
- Review our operational debrief process and incident monitoring to increase learning form incidents and improve operational performance
- Review our appraisal system to better align individual tasking with organisational priorities and values
- Review progress against the Equality and Diversity National framework

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

Signed:

County Councillor
F De Molfetta, Chairman,
Lancashire Combined Fire Authority
29 June 2016

C Kenny,
Chief Fire Officer,
Lancashire Fire and Rescue Service
29 June 2016

K Mattinson CPFA,
Treasurer, Lancashire Combined Fire Authority
29 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASHIRE COMBINED FIRE AUTHORITY

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer to the Fire Authority.

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Treasurer has also:

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

K Mattinson CPFA	County Councillor F De Molfetta
Treasurer to the Combined Fire Authority	Chair of Resources Committee
29 June 2016	29 June 2016

MOVEMENT IN RESERVES STATEMENT 2015/16

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 Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Comprehensive Income and Expenditure Statement for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

	General fund balance	Earmarked reserves	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forwards	10,664	9,238	10,605	-	1,187	31,694	(640,438)	(608,744)
Movement in reserves during 2015/16								
Surplus/(Deficit) on provision of services	(12,409)	-	-	-	-	(12,409)	-	(12,409)
Other comprehensive income and expenditure	-	-	-	-	-	-	47,720	47,720
Total comprehensive income and expenditure	(12,409)	-	-	-	-	(12,409)	47,720	35,311
Adjustments between accounting basis and funding basis under regulations								
Charges for depreciation and impairment of non-current assets	3,538	-	-	-	-	3,538	(3,538)	-
Amortisation of intangible assets	134	-	-	-	-	134	(134)	-
Disposal of assets	(84)	-	-	-	314	230	(230)	-
Capital grants applied	(3,002)	-	-	2,479	-	523	(523)	-
Provision for the repayment of debt	(485)	-	-	-	-	(485)	485	-
Capital expenditure charged against General Fund Balance	(2,850)	-	-	-	-	(2,850)	2,850	-
Amount by which the Code and the statutory pension costs differ	14,928	-	-	-	-	14,928	(14,928)	-
Amount by which the Code and the statutory collection fund income differ	356	-	-	-	-	356	(356)	-
	12,535	-	-	2,479	314	15,328	(15,328)	-
Net increase/decrease before transfers to earmarked reserves	126	-	-	2,479	314	2,919	32,392	35,311
Transfers (to)/from earmarked reserves	(385)	280	-	-	-	(105)	105	-
Transfers (to)/from capital funding reserve	(231)	-	(321)	-	-	(552)	552	-
Transfers (to)/from accumulated absences adjustment account	11	-	-	-	-	11	(11)	-
Net tfr (to)/from earmarked reserves	(605)	280	(321)	-	-	(646)	646	-
Increase/(Decrease) in the year	(478)	280	(321)	2,479	314	2,274	33,037	35,311
Balance at 31 March 2016 carried forwards	10,186	9,518	10,284	2,479	1,501	33,968	(607,401)	(573,433)

MOVEMENT IN RESERVES STATEMENT 2014/15

	General fund balance £000	Earmarked reserves £000	Capital funding reserve £000	Capital receipts reserve £000	Total usable reserves £000	Unusable reserves £000	Total Authority reserves £000
Balance at 31 March 2014 carried forwards	10,482	8,764	9,240	1,187	29,673	(548,129)	(518,456)
Movement in reserves during 2014/15							
Surplus/(Deficit) on provision of services	(11,757)	-	-	-	(11,757)	-	(11,757)
Other comprehensive income and expenditure	-	-	-	-	-	(78,531)	(78,531)
Total comprehensive income and expenditure	(11,757)	-	-	-	(11,757)	(78,531)	(90,288)
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation and impairment of non-current assets	3,851	-	-	-	3,851	(3,851)	-
Amortisation of intangible assets	132	-	-	-	132	(132)	-
Capital grants applied	(2,127)	-	-	-	(2,127)	2,127	-
Provision for the repayment of debt	(2,284)	-	-	-	(2,284)	2,284	-
Capital expenditure charged against General Fund Balance	(243)	-	-	-	(243)	243	-
Amount by which the Code and the statutory pension costs differ	14,859	-	-	-	14,859	(14,859)	-
Amount by which the Code and the statutory collection fund income differ	(328)	-	-	-	(328)	328	-
	13,860	-	-	-	13,860	(13,860)	-
Net increase/decrease before transfers to earmarked reserves	2,103	-	-	-	2,103	(92,391)	(90,288)
Transfers (to)/from earmarked reserves	(474)	474	-	-	-	-	-
Transfers (to)/from capital funding reserve	(1,365)	-	1,365	-	-	-	-
Transfers (to)/from accumulated absences adjustment account	(82)	-	-	-	(82)	82	-
Net tfr (to)/from earmarked reserves	(1,921)	474	1,365	-	(82)	82	-
Increase/(Decrease) in the year	182	474	1,365	-	2,021	(92,309)	(90,288)
Balance at 31 March 2015 carried forwards	10,664	9,238	10,605	1,187	31,694	(640,438)	(608,744)

COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Notes		2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure	2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure
	Continuing operations:	£000	£000	£000	£000	£000	£000
	Community Fire Safety	5,988	(748)	5,240	7,353	(698)	6,655
	Firefighting and Rescue Operations	39,595	(3,669)	35,926	40,328	(3,398)	36,930
	Emergency Planning	59	-	59	59	-	59
	Corporate and Democratic Core	588	-	588	531	-	531
	Non Distributed Costs	6,845	-	6,845	308	-	308
	Net Cost of Services	53,075	(4,417)	48,658	48,579	(4,096)	44,483
	Loss on disposal of non current assets			11			-
	Financing & investment income & expenditure						
8	Interest payable and similar charges			1,704			1,738
15	Pensions interest cost and expected return on pensions assets			22,019			26,700
8	Interest receivable and similar Income			(367)			(372)
	Taxation and non-specific grant income						
	Council tax			(27,184)			(26,260)
	Revenue Support Grant			(15,209)			(18,040)
	Non-domestic rates redistribution			(13,739)			(13,591)
	Capital grant income			(3,002)			(2,127)
	Business rates S31 grant			(480)			(469)
	Council tax freeze grant income			-			(305)
	Deficit/(Surplus) on the provision of services			12,409			11,757
	(Surplus)/Deficit on revaluation of non-current assets			(5,564)			(1,806)
	Actuarial (gains)/losses on pensions assets and liabilities			(42,156)			80,337
	Other comprehensive income & expenditure			(47,720)			78,531
	Total Comprehensive Income and Expenditure			**(35,311)**			**90,288**

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BALANCE SHEET

The 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, usable reserves are those 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 (for example capital receipts may only be used to fund capital expenditure). The second category is unusable reserves, and includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Notes		At 31 March 2016 £000	At 31 March 2015 £000
	Long Term Assets		
6	Property, Plant & Equipment	79,677	74,064
7	Intangible Assets	299	315
8	Long-Term Investments	10,000	10,000
		89,976	84,379
	Current Assets		
	Inventories	198	232
9	Short Term Debtors	8,533	9,039
10	Cash & Cash Equivalents	28,562	25,733
		37,293	35,004
	Current Liabilities		
8	Short Term Borrowing	(253)	(253)
8	Other Short Term Liabilities	(271)	(318)
11	Short Term Creditors	(6,185)	(6,042)
		(6,709)	(6,613)
	Long Term Liabilities		
12	Provisions	(2,129)	(1,901)
8	Long Term Borrowing	(5,580)	(5,830)
13	Other Long Term Liabilities	(686,284)	(713,782)
		(693,993)	(721,513)
	Net Liabilities	(573,433)	(608,744)
	Revenue Reserves	(19,704)	(19,902)
	Capital Funding Reserve	(10,284)	(10,605)
	Capital Grants Unapplied Account	(2,479)	-
	Usable Capital Receipts Reserve	(1,501)	(1,187)
16	**Usable Reserves:**	(33,968)	(31,694)
	Revaluation Reserve	(27,023)	(22,356)
	Capital Adjustment Account	(37,868)	(36,358)
	Pension Reserve	671,596	698,824
	Collection Fund Adjustment Account	(65)	(422)
	Accumulated Absences Adjustment Account	761	750
18	**Unusable Reserves:**	607,401	640,438
	Total Reserves	573,433	608,744

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year then ended.

K Mattinson CPFA
Treasurer to the Combined Fire Authority
29 June 2016

County Councillor F De Molfetta
Chair of the Resources Committee
29 June 2016

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the 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 amounts of net cash flows arising from operating activities is an indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Notes		2015/16		2014/15	
		£000	£000	£000	£000
	Net (deficit)/surplus on the provision of services		(12,409)		(11,757)
23	Adjustments to net (deficit)/surplus on the provision of services for non-cash movements		20,085		17,315
	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,499		1,540
	Net cash flows from Operating Activities		**9,175**		**7,098**
	Investing activities				
6&7	Purchase of property plant and equipment & other capital spend	(4,279)		(2,299)	
8	Decrease/(Increase) in long term deposits	-		(9,825)	
8	Decrease/(Increase) in short term deposits	-		20	
24	Receipts from investing activities	136		129	
	Net cash flows from investing activities		(4,143)		(11,976)
	Financing activities				
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(318)		(289)	
	Repayment of long term borrowing	(250)		-	
24	Payments for financing activities	(1,635)		(1,669)	
	Net cash flows from financing activities		(2,203)		(1,958)
	Net increase/(decrease) in cash and cash equivalents		**2,829**		**(6,835)**
10	Cash and cash equivalents at the beginning of the reporting period		25,733		32,568
10	**Cash and cash equivalents at the end of the reporting period**		**28,562**		**25,733**

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom – 2015/16 and CIPFA's Service Reporting Code of Practice for 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or a 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.

c Cash & cash equivalents

Cash is represented by cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

d 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.

e Charges to Revenue for 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 attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover these charges. However, it is required to make an annual contribution from revenue (Minimum Revenue Provision (MRP)) towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or a minimum of 4%. In addition to the statutory MRP calculated, the Authority may also make voluntary MRP contributions in line with approved budgets and to reduce the ongoing borrowing requirement. Depreciation, impairment and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f Employee Benefits

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 and non-monetary benefits (e.g. cars) 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 (or any form of leave, e.g. time off in lieu) 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 current financial year (the best estimate of future rates at the time of the accounts). The accrual is charged to the surplus or deficit on 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.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Firefighters Pension Scheme, administered by Lancashire County Council
- The Local Government Pension Scheme, administered by Lancashire County Council

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

The Firefighters' Scheme

Under IAS19 the future costs of retirement benefits have to be recognised in the accounts at the point at which the Authority becomes committed to paying them (the point when the benefits have been earned by the employee), even if the actual payment of benefits will be many years in the future.

This obligation to pay pensions benefits in the future is recognised as a liability in the Authority's Balance Sheet. In the service costs part of the Comprehensive Income and Expenditure Statement, transactions are recorded that indicate the change over the year in the pension liability. These are principally the future costs of pensions earned by Firefighters in service during the year. The transactions are not cash-based, but are actuarially-calculated amounts that reflect more closely the true changes in the scheme's long-term liabilities.

In calculating the liability for 2015/16, the actuary based the valuation on a roll forwards approach.

Top up grant received during the year from Department for Communities and Local Government (CLG) to cover the pension costs of the above scheme are recognized in the Comprehensive Income and Expenditure Statement via adjustments in respect of the actuarial valuation.

The Local Government Pension Scheme

The same basic principles apply to the local government scheme with the difference being that, because this is a funded scheme (i.e. is backed by a portfolio of investments in equities, property etc), there are transactions recorded in the revenue account to reflect changes in the expected return on these assets. Like the transactions referred to above, these too, are actuarially-calculated figures.

On the Balance Sheet, the liability to pay future pensions is balanced, although at the moment not fully, by the fund's investment assets.

In calculating the liability for 2015/16, the actuary based the valuation on a full individual by individual approach, and will allow for actual membership changes since the last full valuation at 31 March 2013.

In valuing the pension scheme assets for 2015/16, the actuaries used fair value basis for both derivatives and investments.

g Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. For all of the borrowings the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable plus accrued interest and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

h Financial Assets

The Authority holds only one type of financial asset, loans and receivables. These are it's cash investments and debtors - assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the terms of the deposit agreement.

i Government Grants & Contributions

Government grants 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.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. When conditions have been satisfied, the grant is credited to the Non specific grant income line 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.

j Overheads and Support Services

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

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

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

k Non Current Assets

Non current assets are included in the Balance Sheet at the estimated current value of the asset. They comprise:

- Property, plant & equipment - These are assets that have a physical substance which are used continuously to provide services or for administrative purposes.
- Intangible assets – Assets that do not have a physical substance but can be separately identified and controlled by the Authority (for example, software licenses). Spending on these assets is capitalised if the asset will bring benefit to the Authority for more than one financial year.

i) Recognition

All capital expenditure over the value of £10,000 on the acquisition or enhancement of non current assets is capitalised in the accounts on an accruals basis, in accordance with the relevant statute, with the exception of fleet vehicles, which are capitalised providing the cost is over £5,000 and the asset life is over 5 years.

ii) Measurement

Land and buildings are revalued on a rolling five year basis by a suitably qualified surveyor. As at 31 March 2016, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, carried out revaluations on the identified properties. All valuations are on the basis of depreciated replacement cost, with the exception of one property used as offices, valued at Existing Use Value, and one plot of land valued on an open market value basis.

All other Non current assets are valued at historic cost.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. The Revaluation Reserve was created with effect from 31 March 2007 with a zero opening balance. Gains arising before 1 April 2007 have been consolidated into the Capital Adjustment Account.

iii) Impairment

The Combined Fire Authority's non current assets are considered for impairment at the end of each year by appropriately qualified Property Consultants.

iv) Disposals

When an asset is disposed of the value of asset in the balance sheet is written off to the income and expenditure account as part of the gain or loss on disposal. Receipts from disposals are also credited to this, resulting in the netting off of receipts against the carrying value of the asset.

v) Depreciation

Depreciation is charged on those assets which have a finite useful life, in the year after acquisition:

- Intangible assets are assessed over their estimated useful life, 5 years.
- Land is assessed as having an infinite life, and therefore is not depreciated.
- Building assets are assessed for an appropriate property life by property professionals, in 10-year bands up to a maximum of 50 years.
- Equipment is depreciated over their estimated useful life, ranging from 5 to 20 years.
- Vehicles are depreciated over their estimated useful life, ranging from 5 to 15 years.

  The charges are based on the opening net book value of assets at the start of the financial year and the estimated useful life of the asset, and are calculated in such a way as to give an equal charge to the revenue account in each of the years the asset is used.

vi) Componentisation

From 1 April 2010, the Authority is required to separately recognise, depreciate and de-recognise significant components of assets, where the significant component has a different useful life to the remainder of the asset. Assets with a carrying value of less than £500,000 will not be subject to componentisation rules, and a significant component is one of over 25% of the asset carrying value. Components will only be recognised on assets valued after 1 April 2010.

vii) Derecognition

Assets will be derecognised when no further economic benefits are expected from the asset's use or disposal – ie when the economic benefits inherent in the asset have been used up.

viii) Non Current Assets Held for Sale

When it becomes probable that the carrying value of an asset will be recovered principally from the sale of the asset rather than its continuing use, it is reclassified as an Asset Held for Sale. Depreciation is not charged on Assets Held for Sale.

l Heritage Assets

The Authority holds several heritage assets, in the form of fire memorabilia and two vintage vehicles. Where a heritage asset is identified, where it is possible to reasonably estimate the value, this should be reported in the Balance Sheet subject to the usual criteria for asset recognition in the policy above. If no value exists, and a valuation could not be practicably obtained, the asset will be disclosed in a note to the accounts.

m Capital Receipts

Capital receipts derived from the sale of non current assets, above £10,000 in value, are used to finance capital investment.

n Valuation of Inventories

The Authority holds inventories of fuel, general stores and uniforms and they are valued on the basis of average cost. IPSAS12 (International Public Sector Accounting Standard) allows for specialised stock items to be valued at the lower of cost and current replacement cost.

o Leases

Leases are classified as finance lease where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

p Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the plant and equipment – applied to write down the lease liability, and
- A finance charge (debited to the Interest payable and similar charges line in the Comprehensive Income and Expenditure Statement).

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

q Operating Leases

The annual lease rental payments under operating leases are charged direct to the Comprehensive Income and Expenditure Statement.

r Private Finance Initiative (PFI) and similar contracts

Current status

The Authority has two existing PFI arrangements:

- With PFF Lancashire for Hyndburn and Morecambe fire stations, which is a continuing commitment for 30 years from May 2003; and
- With Balfour Beatty Fire & Rescue NW to replace four fire stations in Lancashire as part of a wider scheme to replace 16 in total in conjunction with Merseyside Fire and Rescue Authority and Cumbria County Council. The contract will run for 25 years from the date of the final station being handed over during 2013/14.

Revenue transactions relating to the above schemes are explained in Note 14.

Accounting for PFI

PFI contracts are agreements to receive services, where responsibility for making available the non current assets to provide services passes to the PFI contractor. The PFI scheme is accounted for on a consistent basis to IFRIC 12.

Recognition of assets and liabilities

Fire stations provided under PFI contracts are recognised as non current assets of the Authority. A related liability is also recognised. The asset and liability are recognised when the asset is made available for use. The related liability is initially measured at the value of the related asset and subsequently calculated using the same actuarial method used for finance leases.

Once on the balance sheet the PFI assets will be treated in the same way as all other non current assets of the same type including depreciation, impairment and revaluation.

Minimum Revenue Provision (MRP)

Assets acquired under a PFI that are recognised on the balance sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP are calculated in accordance with the appropriate regulations and statutory guidance. MRP is equal to that element of the unitary charge which is applied to repay the outstanding liability.

Unitary Payment

The unitary payment is a monthly charge payable to the PFI contractor in return for the services provided. This payment is analysed into elements for the fair value of services, capital and revenue lifecycle (planned maintenance), contingent lease rentals, the repayment of the outstanding liability and interest payable on the outstanding liability. The fair value of the services and the revenue lifecycle element are charged to the revenue account. The capital lifecycle element is charged to the non current assets and funded by a revenue contribution. The contingent lease rentals and interest payable are recorded in the “interest payable and similar charges” account outside the net cost of services but within net operating expenditure in the income and expenditure account.

Deductions from the Unitary Payment

The PFI contracts provide for deductions from the unitary payment in the case of sub standard performance or when the facilities are unavailable. Deductions for sub standard performance are accounted for as a reduction in the amount paid for the affected services. Deductions arising from the unavailability of the property are apportioned pro rata to the proportions of the service and property elements of the unitary payment:

- A reduction for part or all of the property being unavailable for use – this will first be accounted for as an abatement of the contingent lease rentals, then finance costs if contingent rents are insufficient; and
- A reduction in the price paid for services whilst services are not being provided accounted for as a reduction in the amount paid for the affected services.

Deductions of either type are accounted for when the Authority's entitlement has been established and it is probable that the Authority will be able to make the deduction.

s PFI Equalisation Reserve

The Authority holds two PFI equalisation reserves for the purpose of smoothing out, within the revenue account, the annual net cost to the Authority of payments under PFI contracts:

- In 2003/04 the Authority established a PFI equalisation reserve for the PFI contract with PFF Lancashire Ltd. The contract relates to the provision and maintenance by PFF Lancashire Ltd of two fire stations at Morecambe and Hyndburn; and
- In 2011/12 the Authority created a new PFI equalisation reserve in relation to the Authority's share of the PFI contract with Balfour Beatty Fire & Rescue NW Ltd. The contract relates to the provision and maintenance of Blackburn, Burnley, Chorley, and Fleetwood fire stations.

An annual revenue contribution in lieu of interest will be made to the reserve. The reserve balance will be reviewed each year at which time the amount of any revenue contribution to or from the reserve will be determined.

t Provisions

The Authority has the power to establish provisions for any liabilities of uncertain timing or amount that have been incurred. Details of the Authority's provisions are given in note 12 to the Balance Sheet.

u 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 against the net cost of services in that year 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, retirements and employee benefits and do not represent usable resources for the Authority.

v 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 are not recognised in the Balance Sheet, but disclosed in a note to the accounts.

w VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

x Events after the Balance Sheet Date

Events after the balance sheet date 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 event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after 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 note 20 of the nature of the events and their estimated financial effect.

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

y Accounting Standards issued but not yet adopted

For 2015/16 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010-2014:
    - IFRS 3 Business Combinations: Accounting for contingent consideration in a business combination
    - IFRS 5 Non-current Assets Held for Sale: Disposal method changes
    - IFRS 7 Financial Instruments: Changes to disclosures on servicing contracts
    - IFRS 13 Fair Value Measurement: Short term receivables and payables
    - IAS 24 Related Party Disclosures: Clarification regarding key management personnel
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation)
- Amendments to IFRS 1 Presentation of Financial Statements (Disclosure Initiative – changes to the format of the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, introduction of the Expenditure and Funding Analysis)
- Changes to the format of the Pension Fund Account and Net Assets Statement

These standards will be incorporated into the Statement of Accounts as required by the Code.

z Critical judgements in applying accounting policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about transactions involving future events. The critical judgement made in the Statement of Accounts are:

- NW FireControl Ltd – The annual accounts are assessed each year for materiality to determine whether consolidation into the Lancashire Fire and Rescue Service Accounts is required, on both quantitative and qualitative grounds. After carrying out the assessment, our judgement is that consolidation is not required for the 2015/16 accounts.

2 Fire Authority Costs

In 2015/16 Fire Authority costs amounted to £0.279m (2014/15: £0.266m), analysed as follows:

	2015/16 £000	2014/15 £000
Members allowances/expenses	124	121
Statutory officers	105	102
Statutory reports/publications	2	1
Subscriptions	11	11
Others	37	31
	279	266

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,097 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2015/16 No.	2014/15 No.
£70,000 - £74,999	-	1
£65,000 - £69,999	2	1
£60,000 - £64,999	6	7
£55,000 - £59,999	12	2
£50,000 - £54,999	22	26
	42	37

The above table excludes Senior Officers, who are disclosed individually in the tables in the following tables.

Senior Officers Remuneration

During the year, Senior Officers received remuneration packages as detailed below – these employees are also excluded from the table above.

Post holder information (post title and name) **2015/16**	Salary	Allowances (estimated based on 2014/15 figures)	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Chris Kenny	154,389	1,159	155,548	33,503	189,051
Director of Service Delivery – Justin Johnston	128,731	3,347	132,078	18,409	150,487
Director of Strategy & Planning – David Russel	121,280	3,222	124,502	17,343	141,845
Director of People & Development – Robert Warren	98,664	-	98,664	12,629	111,293
Director of Corporate Services – Keith Mattinson	98,664	157	98,821	12,629	111,450
	601,728	7,885	609,613	94,513	704,126

Post holder information (post title and name) **2014/15 – Restated***	Salary	Allowances Restated*	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Chris Kenny	150,000	1,145	151,145	31,950	183,095
Director of Service Delivery – Justin Johnston	123,131	4,183	127,314	26,227	153,541
Director of Strategy & Planning – David Russel	116,009	3,384	119,393	24,710	144,103
Director of People & Development – Robert Warren	97,687	-	97,687	12,504	110,191
Director of Corporate Services – Keith Mattinson	97,687	157	97,844	12,504	110,348
	584,514	8,869	593,383	107,895	701,278

* The 2014/15 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2014/15 Statement of Accounts.

Exit Packages

The number of exit packages with a total cost per band and total cost of voluntary redundancies are set out in the table below:

	2015/16		2014/15	
Exit package cost band (including special payments)	Number of departures agreed	Total cost of exit packages in each band £000	Number of departures agreed Restated	Total cost of exit packages in each band Restated £000
£0 - £20,000	3	10	10	77
£20,001 - £40,000	-	-	2	59
£40,001 - £60,000	1	51	1	49
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£120,001 - £140,000	-	-	-	-
	4	61	13	185

4 External Auditors Fees

In 2015/16, the Fire Authority paid a total of £0.031m to its external auditors, Grant Thornton (2014/15: £0.041m), in addition to paying £0.001m to the Audit Commission in relation to National Fraud Initiative fees, analysed as follows:

	2015/16	2014/15
	£000	£000
Audit fees – Grant Thornton	31	41
National Fraud Initiative – Audit Commission	1	1
	32	42

5 Related Parties Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by 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. Consideration must be given to materiality from both the viewpoint of the Authority and the related party.

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 (e.g. council tax bills).

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 2. As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

In addition, a survey of the related party interests of members and their immediate family members was carried out in preparing the Statement of Accounts. This survey showed that members have outside interests in bodies that have transactions with the Authority, such as:

- roles as members of Lancashire County Council, the district and unitary authorities;
- roles with voluntary organisations;

In none of these cases is there evidence either of control of one party by the other, or of any related material transaction which would require disclosure in this note.

Officers

In 2015/16 one Senior Officer declared a family relationship with a Senior Officer in one of our major precepting authorities. Although there are significant transactions between the two parties in relation to business rates and council tax, the administration of these is strictly defined by a statutory framework.

6 Property, Plant & Equipment

Details on policies can be seen in Note 1, Accounting Policies.

Movements during the Year

The table below summarises the movements in Property, Plant and Equipment during the year. Land and buildings, vehicles, plant, furniture and equipment are all disclosed at their net current value. All additions (i.e. new expenditure) are shown at cost.

Movements in Property, Plant and Equipment analysed into their different categories for 2015/16 are:

Movement during the year	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Held for Sale	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2015	66,993	19,450	16	-	86,459
Additions	863	3,049	-	-	3,912
Disposals	-	(281)	-	(325)	(606)
Reclassifications	(325)	-	-	325	-
Revaluations	4,192	-	4	-	4,196
As at 31 March 2016	71,723	22,218	20	-	93,961
Depreciation and impairments					
At 1 April 2015	(1,847)	(10,548)	-	-	(12,395)
Depreciation charge for 2015/16	(1,628)	(1,480)	-	-	(3,108)
Impairment losses recognised in the Revaluation Reserve	(217)	-	-	-	(217)
Impairment losses recognised in the Deficit on the Provision of Services	(431)	-	-	-	(431)
Disposals	-	281	-	-	281
Revaluations	1,586	-	-	-	1,586
As at 31 March 2016	(2,537)	(11,747)	-	-	(14,284)
Balance sheet at 31 March 2016	69,186	10,471	20	-	79,677
Balance sheet at 31 March 2015	65,146	8,902	16	-	74,064
Nature of asset holding					
Owned	46,313	10,387	20	-	56,720
Finance lease	380	84	-	-	464
PFI	22,493	-	-	-	22,493
	69,186	10,471	-	-	79,677

On 31 March 2016 the Authority undertook a revaluation review on approximately one fifth of its land and buildings, which resulted in a net revaluation gain of £5.134m (2014/15: net gain of £1.267m).

The comparative figures detailing the movement during 2014/15:

Movement during the year	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2014	65,624	19,613	16	85,253
Additions	1,412	938	-	2,350
Disposals	-	(1,101)	-	(1,101)
Derecognition - other	(2,800)	-	-	(2,800)
Revaluations	2,757	-	-	2,757
As at 31 March 2015	66,993	19,450	16	86,459
Depreciation and impairments				
At 1 April 2014	(1,452)	(10,044)	-	(11,496)
Depreciation charge for 2014/15	(1,707)	(1,605)	-	(3,312)
Impairment losses recognised in the Revaluation Reserve	(951)	-	-	(951)
Impairment losses recognised in the Deficit on the Provision of Services	(539)	-	-	(539)
Disposals	-	1,101	-	1,101
Derecognition - other	2,800	-	-	2,800
As at 31 March 2015	(1,847)	(10,548)	-	(12,395)
Balance sheet at 31 March 2015	65,146	8,902	16	74,064
Balance sheet at 31 March 2014	64,172	9,569	16	73,757
Nature of asset holding				
Owned	43,394	8,757	16	52,167
Finance lease	380	145	-	525
PFI	21,372	-	-	21,372
	65,146	8,902	16	74,064

Heritage Assets

The Authority holds several heritage assets, in the form of both fire memorabilia such as antique fire extinguishers, and also two vintage fire appliances. Due to the nature of these assets, it is not possible to market test the value of these, therefore they are not included in the Property, Plant and Equipment note.

Capital Expenditure

The total capital expenditure in 2015/16 is shown in the table below, 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 is analysed in the second part of this note.

	2015/16	2014/15
	£000	£000
Opening Capital Financing Requirement	15,722	18,006
Capital investment:		
Property, Plant & Equipment	3,912	2,350
Intangible assets	118	19
Sources of Finance:		
Government Grant	(523)	(2,127)
Capital Reserves	(552)	-
Earmarked Reserves	(105)	-
Revenue contributions to capital	(2,850)	(243)
MRP	(485)	(2,284)
Closing Capital Financing Requirement	15,237	15,722
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(485)	(2,284)
	(485)	(2,284)

Details of Assets Held

The number of main assets held by the Authority are shown below:

	2015/16	2014/15
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	40
Training School	1	1
Fire houses	1	1

Capital Commitments

Capital projects often take several years to complete, which means that the Authority is committed to capital expenditure in following years arising from contracts entered into at the Balance Sheet date, but on which all or part of the capital work has yet to be undertaken. The estimated capital expenditure committed at 31 March 2016 is £1.453m (2014/15: £1.594m).

7 Intangible Assets

The Authority accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

Movement during	2015/16 £000	2014/15 £000
Cost or valuation		
At 1 April	1,272	1,253
Additions	118	19
As at 31 March	1,391	1,272
Amortisation & impairment		
At 1 April	(958)	(826)
Amortisation charge for the year	(134)	(132)
As at 31 March	(1,092)	(958)
Balance sheet at 31 March	299	314
Balance sheet at 1 April	314	427

8 Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
<u>Investments</u>				
Loans and receivables	10,000	10,000	-	-
<u>Debtors</u>				
Financial assets carried at contract amounts	-	-	473	847
<u>Borrowings</u>				
PWLB Borrowings at amortised cost	5,580	5,830	253	253
<u>Other Long Term Liabilities</u>				
PFI and finance lease liabilities	14,688	14,958	271	318
<u>Creditors</u>				
Financial liabilities carried at amortised cost	-	-	2,229	3,075

Income, Expense, Gains and Losses

			Financial assets: Loans and receivables	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Interest expense	1,704	1,738	-	-
Total expense in Deficit on the Provision of Services	1,704	1,738	-	-
Interest income	-	-	(367)	(372)
Total income in Deficit on the Provision of Services	-	-	(367)	(372)
Net gain/(loss) for the year	1,704	1,738	(367)	(372)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term creditors, are carried in the Balance Sheet at amortised cost. Their 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:

- Estimated ranges of interest rates at 31 March 2016 of 4.10% to 4.88% for loans from the PWLB
- This valuation takes into account the penalties that would be payable or discounts receivable on early repayment of loans to the PWLB. These penalties and discounts depend on the rate and period of each individual loan and on the rates for loans with similar periods to maturity prevailing at the balance sheet date.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	5,834	7,415	6,083	7,741
Cash deposits invested and classed as loans and receivables	-	-	-	-
PFI Liabilities	14,782	14,728	15,024	16,112

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2016 is £5.764 million (2014/15: £6.014m) and it is due for repayment as shown in the following table:

	2015/16	2014/15
	£000	£000
Within one year	250	250
Within two to five years	1,264	1,240
Within six to ten years	1,920	1,864
Over 10 years	2,330	2,660
	5,764	6,014

9 Debtors

	2015/16	2014/15
	£000	£000
Central government bodies	226	178
Other local authorities	4,285	3,277
Public corporations	330	92
Other entities and individuals	3,692	5,492
	8,533	9,039

10 Cash & Cash Equivalents

The balance of cash & cash equivalents is made up of the following elements:

	2015/16	2014/15
	£000	£000
Cash held by the Authority	46	43
Bank current accounts	28,516	25,690
	28,562	25,733

Cash investments are balances placed with Lancashire Country Council. Interest on these balances is paid to the Authority. The investments have an amortised cost at 31 March 2016 equal to their nominal value.

11 Creditors

	2015/16	2014/15
	£000	£000
Central government bodies	865	759
Other local authorities	3,108	2,307
Other entities and individuals	2,212	2,976
	6,185	6,042

12 Provisions

The Authority has the power to establish provisions for any liabilities of uncertain timing or amount that have been incurred.

The Authority has established an Insurance Liabilities Provision to meet liabilities, the precise cost of which is uncertain, but which are not reimbursable from insurers as they fall below individual excess clauses and the annual self-insured limits.

The Authority has also established a provision to meet the potential costs associated with Retained Firefighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms and eligibility to be part of the Firefighters' Pension Scheme, which is subject to negotiation at a national level. The remainder of claimants are expected to be resolved during the new financial year.

The Authority has also recognised a provision in relation to its share of the Business Rates Collection Fund outstanding appeals, which is calculated and provided by billing authorities based on their assumptions of outstanding appeal success rates.

The balances set aside, together with the movement on the provisions, is shown below:

	Insurance Liabilities		Part time workers		Business rates appeals		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	1,156	1,155	25	26	720	249	1,901	1,430
Amounts utilised	(37)	(49)	(3)	(1)	-	-	(40)	(50)
Unused amounts reversed	(371)	(356)	-	-	-	-	(371)	(356)
Additional provision	399	406	-	-	240	471	639	877
Balance at 31 March	1,147	1,156	22	25	960	720	2,129	1,901

13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2015/16	2014/15
	£000	£000
Finance Lease Liability	89	91
PFI Liability (see note 14)	14,519	14,782
PFI Contractor Loan (see note 14)	80	85
Pension Liability (see note 15)	671,596	698,824
	686,284	713,782

14 PFI Schemes

The Authority operates two PFI schemes with separate Private Sector Partners (PSP), details of which are as follows:

PFF Lancashire Ltd

The Authority signed a contract in May 2002 with a Private Sector Partner (PSP), a consortium known as PFF Lancashire Limited, under the Government's Private Finance Initiative, for two fire stations at Morecambe and Hyndburn.

Under the contract the Authority pays an annual unitary charge to PFF Lancashire for serviced accommodation over the life of the 30-year contract, commencing in 2003/04. The buildings and any plant installed in them at the end of the contract will be transferred to the Authority for nil consideration. The estimated capital value of the scheme at the point of financial close was £3.500m.

Under the contract PFF Lancashire Ltd made a contribution of £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority's accounts. At 31 March 2016 the outstanding loan was £0.085m (2014/15: £0.090m).

Balfour Beatty Fire and Rescue NW Ltd

The Authority is also involved in a second PFI project, with Merseyside Fire and Rescue Authority and Cumbria County Council to deliver 16 new fire stations, 4 of which will be in Lancashire. Contracts were signed with Balfour Beatty Fire and Rescue NW Ltd in February 2011, with phased construction beginning in 2011/12 and completing in 2013/14.

Under the contract the Authority pays an annual unitary charge to Balfour Beatty Fire and Rescue NW Ltd for serviced accommodation over the life of the contract, which runs for 25 years from initial handover of each station commencing in March 2011/12 for the Authority. The buildings and any plant installed in them at the end of the contract will be transferred to the Authority for nil consideration. The estimated capital value of the total scheme at the point of financial close was £47.886m, and for the Authority was £12.161m.

All PFI Schemes

All PFI stations are recognised on the Authority's Balance Sheet from the date of initial handover. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant & Equipment balance in note 6.

Payments made under the contracts are performance related, so deductions are made if parts of the building are not available or if service performance (including maintenance) falls below an agreed standard. The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but is otherwise fixed. In addition, the Authority receives Government Grant to offset some of these costs.

Payments remaining to be made under both PFI contracts, and Government Subsidies to be received at 31 March 2016 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	630	264	1,406	2,300	1,734
Payable within 2-5 years	2,690	1,317	5,399	9,406	6,935
Payable within 6-10 years	3,800	2,439	6,198	12,437	8,668
Payable within 11-15 years	4,357	3,926	4,806	13,089	8,668
Payable within 16-20 years	3,823	4,521	2,822	11,166	7,201
Payable within 21-25 years	1,624	2,316	544	4,484	2,868
Total	16,924	14,783	21,175	52,882	36,074

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable over the life of the contract. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	2015/16 £000	2014/15 £000
Balance outstanding at the start of the year	15,024	15,240
Capital expenditure incurred in the year	-	-
Payments during the year	(242)	(216)
Balance outstanding at year end	14,782	15,024

15 Net Liability Related to Local Government and Firefighters' Pensions Schemes Pensions

During the year the Authority made contributions to the cost of pensions for all employees (except for those who chose not to be members of the scheme) as required by statute.

The Authority participates in two pension schemes:

i) Uniformed Firefighters are covered by an unfunded, defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated by the Authority to meet actual pensions payments as they fall due.

ii) Other staff pensions are provided from the Lancashire County Pension Fund. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with the investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance Fund via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	1,080	842	10,504	9,886
• Administrative expenses	17	17	-	-
• Past service cost	60	375	6,695	-
	1,157	1,234	17,199	9,886
Financing and Investment Income and Expenditure:				
• Interest cost	1,650	1,826	21,657	26,356
• Interest on scheme assets	(1,288)	(1,482)	-	-
	362	344	21,657	26,356
Total post employment benefit charged to the deficit on provision of services	**1,519**	**1,578**	**38,856**	**36,242**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	(3,640)	4,832	(38,516)	75,505
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**(2,121)**	**6,410**	**340**	**111,747**
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	6,164	(3,315)	21,064	(91,881)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(4,043)	(3,095)	-	-
Retirement benefits payable to pensioners	-	-	(21,404)	(19,866)
	-	-	-	-

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/(gain) – the increase/(decrease) in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited/(credited) to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

Interest on liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid.

Interest on assets – the average rate of return expected on the investment assets held by the pension scheme.

Actuarial (gains) and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – (credited)/debited to the pensions reserve.

Employers' contributions – the payments made into the pension scheme by the Authority during the year in respect of current employees.

Retirement benefits payable to pensioners – the net payments made in respect of the Firefighter pension scheme. Note, the fund also received a top up grant of £14.099m (2014/15: £14.615m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 64.

A full set of audited accounts for the Lancashire County Pension Fund, together with information relating to membership, actuarial and investment policy and investment performance, are published in the 'Lancashire County Pension Fund Annual Report', available from the administering authority, Lancashire County Council, on request.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	(50,503)	(41,224)	(687,420)	(595,539)
Current service cost	(1,080)	(842)	(10,504)	(9,886)
Interest on liabilities	(1,650)	(1,826)	(21,657)	(26,356)
Contributions by scheme participants	(276)	(281)	(3,562)	(3,222)
Remeasurements (liabilities):				
Experience (gain)/loss	-	-	-	27,377
Gain/(Loss) on financial assumptions	3,046	(7,511)	38,516	(102,882)
Gain/(Loss) on demographic assumptions	-	-	-	-
Benefits/transfers paid	1,256	1,556	24,966	23,088
Curtailments	(60)	(375)	(6,695)	-
Closing balance at 31 March	(49,267)	(50,503)	(666,356)	(687,420)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	39,099	33,135	-	-
Interest on scheme assets	1,288	1,482	-	-
Remeasurements (assets)	594	2,679	-	-
Administrative expenses	(17)	(17)	-	-
Employer contributions	4,043	3,095	21,404	19,866
Contributions by scheme participants	276	281	3,562	3,222
Benefits paid	(1,256)	(1,556)	(24,966)	(23,088)
Closing balance at 31 March	44,027	39,099	-	-

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 at the Balance Sheet date. Expected returns on equity investments reflect long term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £1.883m (2014/15: gain of £4.161m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is a gain of £0.156m (2014/15: gain of £0.199m).

Scheme history

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(49,267)	(50,503)	(41,224)	(46,193)	(38,157)
Firefighters Pension Scheme	(666,356)	(687,420)	(595,539)	(596,655)	(515,542)
Fair value of assets in LGPS	44,027	39,099	33,135	32,097	27,178
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(5,240)	(11,404)	(8,089)	(14,096)	(10,979)
Firefighters Pension Scheme	(666,356)	(687,420)	(595,539)	(596,655)	(515,542)
Total	(671,596)	(698,824)	(603,628)	(610,751)	(526,521)

The liabilities show the underlying commitments that the Authority has in the long-term to pay post employment benefits. The total liability of both schemes, £671.596m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £573.433m (2014/15: £608.744m). However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- The deficit on the Local Government Pensions scheme will be made good by additional contributions, as assessed by the scheme actuary, throughout the agreed deficit recovery period, which is currently set at 19 years. In addition, during 2014/15 and 2015/16 the Authority made additional payments of £2m and £3.2m respectively to offset the deficit, shown within the employer contributions of £3.095m and £4.043m in the table above and on page 44. This should reduce future deficit recovery payments after the next valuation.
- Finance is only required to be raised to cover fire fighter pensions when the pensions are actually paid.

Estimated contributions expected to be paid by the Authority into each scheme during the next financial year:

	Local Government Pension Scheme £000	Firefighters' Pension Scheme £000	Total £000
Estimated contributions	798	4,062	4,860

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Firefighters' Scheme and the Local Government Fund liabilities have been assessed by Mercer Resource Consulting Ltd, an independent firm of actuaries. Estimates for the LGPS are based on a full valuation as at 31 March 2016. Estimates for the Firefighters pension scheme are based on a 'roll forward approach' which updates the last full valuation on 31 March 2015, taking account of any significant changes since this.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	22.9	23.2	23.1
Women	25.6	25.4	25.8	25.6
Longevity at 65 for future pensioners:				
Men	25.2	25.1	25.7	25.6
Women	27.9	27.8	28.2	28.1
Rate of CPI inflation	2.00%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.50%	3.70%	3.50%	3.70%
Rate of increase in pensions	2.00%	2.00%	2.00%	2.00%
Rate for discounting scheme liabilities	3.60%	3.30%	3.50%	3.20%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%

The Firefighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Quoted in active market	Assets at 31 March 2016		Assets at 31 March 2015	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	15,132	34.4	13,458	34.4
Bonds	Y	1,782	4.0	1,770	4.5
Property	N	4,232	9.6	3,682	9.4
Cash/Liquidity	N	1,514	3.4	1,894	4.8
Other	N	21,367	48.5	18,295	46.8
		44,027	100.0	39,099	100.0

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015:

Local Government Pensions Scheme (LGPS):	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	1.3	6.9	(2.0)	8.9	(4.7)
Gains and losses on liabilities	(6.2)	14.9	(18.5)	11.8	-

Firefighters Pension Scheme:	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(5.8)	11.0	(3.3)	10.1	-

Total of LGPS and Fire Pension Schemes:	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	1.3	6.9	(2.0)	8.9	(4.7)
Gains and losses on liabilities	(5.8)	11.2	(4.2)	10.2	-

16 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statements, on pages 19 and 20.

	2015/16		2014/15	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(10,186)		(10,664)
DFM Schemes	(414)		(457)	
Other Earmarked Reserves	(5,664)		(5,488)	
PFI Equalisation	(3,440)		(3,293)	
Total Earmarked Reserves		(9,518)		(9,238)
Total Revenue Reserves		(19,704)		(19,902)
Capital Reserves:				
Capital Funding Reserve		(10,284)		(10,605)
Capital Grants Unapplied		(2,479)		-
Usable Capital Receipts		(1,501)		(1,187)
Total Usable Reserves		(33,968)		(31,694)

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.14	Transfers in 2014/15	Transfers out 2014/15	Balance at 31.3.15	Transfers in 2015/16	Transfers out 2015/16	Balance at 31.3.16
General fund	(10,482)	(182)	-	(10,664)	-	478	(10,186)
DFM Schemes	(731)	(9)	283	(457)	(11)	54	(414)
Other Earmarked Reserves	(4,952)	(1,016)	480	(5,488)	(1,286)	1,110	(5,664)
PFI Equalisation Accounts	(3,081)	(212)	-	(3,293)	(147)	-	(3,440)
Total Earmarked Reserves	(8,764)	(1,237)	763	(9,238)	(1,444)	1,164	(9,518)
Capital funding reserve	(9,240)	(1,365)	-	(10,605)	(232)	553	(10,284)
Capital grants unapplied	-	-	-	-	(2,479)	-	(2,479)
Usable capital receipts	(1,187)	-	-	(1,187)	(314)	-	(1,501)
Total Usable Reserves	(29,673)	(2,784)	763	(31,694)	(4,469)	2,195	(33,968)

18 Unusable Reserves

The total Unusable Reserves are shown in the Movement in Reserves Statement, and details of each reserve and the movements are shown in the following tables:

	2015/16 £000	2014/15 £000
Revaluation Reserve	(27,023)	(22,356)
Capital Adjustment Account	(37,868)	(36,358)
Pensions Reserve	671,596	698,824
Collection Fund Adjustment Account	(65)	(422)
Accumulated Absences Adjustment Account	761	750
Total Unusable Reserves	607,401	640,438

Revaluation Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	(22,356)	(21,470)
Upward revaluation of assets	(5,781)	(2,757)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	122	952
Difference between fair value depreciation and historical cost depreciation	897	919
Amount written off to the Capital Adjustment Account	95	-
	(27,023)	(22,356)

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.

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 under statutory provisions. The account is debited with the cost of acquisition as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

In addition, the account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1 April		(36,358)		(34,768)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	2,210		2,393	
• Revaluation losses on Property, Plant & Equipment	431		539	
• Amortisation of intangible assets	134		132	
		2,775		3,064
Disposal of assets via the Comprehensive Income & Expenditure Statement		325		-
Adjusting amounts written out of the Revaluation Reserve		(95)		-
Net amount written out of the cost of non-current assets consumed in the year		3,005		3,064
Capital financing applied in the year:				
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(523)		(2,127)	
• Statutory provision for financing of capital investment charged against General Fund	(323)		(399)	
• Voluntary provision for financing of capital investment charged against General Fund	(162)		(1,885)	
• Use of capital reserves to fund expenditure	(552)		-	
• Use of earmarked reserves to fund expenditure	(105)		-	
• Capital expenditure charged to General Fund Balance	(2,850)		- (243)	
		(4,515)		(4,654)
Balance as at 31 March		(37,868)		(36,358)

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 reserve relates to both the LGPS and Firefighters pension schemes, and the large negative value of the reserve reflects the unfunded nature of the Firefighters pension scheme.

	2015/16	2014/15
	£000	£000
Balance at 1 April	698,824	603,628
Actuarial (gains) or losses on pensions assets and liabilities	(42,156)	80,337
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	28,791	27,092
Employers pension contributions and direct payments to pensioners payable in the year	(13,863)	(12,233)
	671,596	698,824

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 rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

	Council Tax		Business Rates		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(682)	(255)	260	161	(422)	(93)
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	(110)	(427)	-	-	(110)	(427)
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	-	-	467	99	467	99
Balance at 31 March	(792)	(682)	727	260	(65)	(422)

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account manages the differences arising from the recognition of accrued employee costs in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund.

	2015/16	2014/15
	£000	£000
Balance at 1 April	750	832
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11	(82)
Balance at 31 March	761	750

19 Contingent Liability

Municipal Mutual Insurance
Municipal Mutual Insurance provided insurance to Lancashire County Council until the company ceased to underwrite in 1992. A scheme of arrangement was entered into by MMI with its creditors under the terms of which claims relating to the period of insurance continue to be paid out but, if a trigger point is reached where MMI has insufficient assets to pay remaining claims, a clawback of a proportion of claims paid since 30 September 1993 could occur to cover the outstanding claims. During the period in question, fire and rescue services were provided as part of Lancashire County Council, prior to the creation of Lancashire Combined Fire Authority as an independent body from 1 April 1998.

The position of the company has been reviewed on an ongoing basis to ascertain the likelihood of the trigger point being reached. Up until the Annual Reports & Accounts of the Company for the year ended 30 June 2011, the Directors of MMI were hopeful of achieving a solvent run-off of the Company with all claims costs (past or future) being met in full by MMI providing they received a successful Supreme Court judgement in early 2012. However, following the loss of the appeal in the Supreme Court, a solvent run-off became no longer likely, and the scheme of arrangement was triggered by the Directors on 13 November 2012.

However, it is currently unclear whether Lancashire Combined Fire Authority accepted liability for any future costs associated with insurance claims on disaggregation, and hence would potentially be liable for a share of the clawback, nor is it possible to estimate the amount of this contingent liability, therefore nothing has been included in the accounts.

Norman v Cheshire Fire & Rescue Service
As a result of the “Norman vs Cheshire” case there is a possibility that some allowances paid to staff working certain duty systems maybe pensionable. It is not yet clear if this ruling applies to our staff, nor how the calculation would be made, however there is a potential cost which may arise in the future if it is found that this ruling does apply. No allowance has been made in the accounts for this potential cost.

Firefighters Pension Scheme Contributions Holiday
Following a recent challenge, the Department for Communities and Local Government (DCLG) have agreed that members of the firefighter 1992 pension scheme employed before age 20 who served over 30 years before reaching the age of 50 may receive a refund of contributions. The guidance on how to calculate this will be published following the completion of a consultation during Summer 2016, with amendments to the relevant pensions regulations expected in Autumn 2016. It is anticipated that these additional costs to the Firefighters Pension Scheme will be met by additional government grant, meaning there is no overall cost to the Authority. On this basis, therefore, we are unable to include an estimate of the costs within the Fire-Fighters Pension Fund Statement.

Firefighters Pension Scheme Transitional protection arrangements

In July 2015, the FBU launched a collective legal challenge against the Government over the transitional protections under the new pension arrangements, which came into force on 1st April 2015. Their claim relates to alleged age, sex and race discrimination and possible equal pay complaints. Although there is presently no indication that this claim will be successful, the Firefighters Pension Scheme would meet any additional costs, rather than them being an additional cost to the Authority.

20 Post Balance Sheet Events

As at the date the Treasurer signed the accounts, 29 June 2016, there were no post balance sheet events to report.

21 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- 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
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Risk management is carried out by Lancashire County Council's Treasury Management Team, under policies approved by the Authority in the annual Treasury Management Strategy. The strategy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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 minimised through the Annual Investment Strategy, which states that any investment counterparty must have a minimum actual or implied credit rating of AA- in order to be eligible. The Authority will also have regard to recent banking reform legislation which provides for creditor 'bail-in' rather than state 'bail-out' of banks should the bank fail. The effect of this legislation is that a local authority is likely to lose a higher proportion of any assets caught up in a credit event than almost any other type of institution. Credit risk control therefore means that unsecured bank deposits are, unless for very short duration, not suitable as an investment instrument in the future.

In the context of credit risk, trade debtors are treated as financial instruments.

Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.032m of the £0.080m balance is past due date for payment. On a prudent basis the Authority has created a provision for bad debts to cover any potential loss arising from this, which currently stands at £0.025m and which is considered sufficient for this purpose.

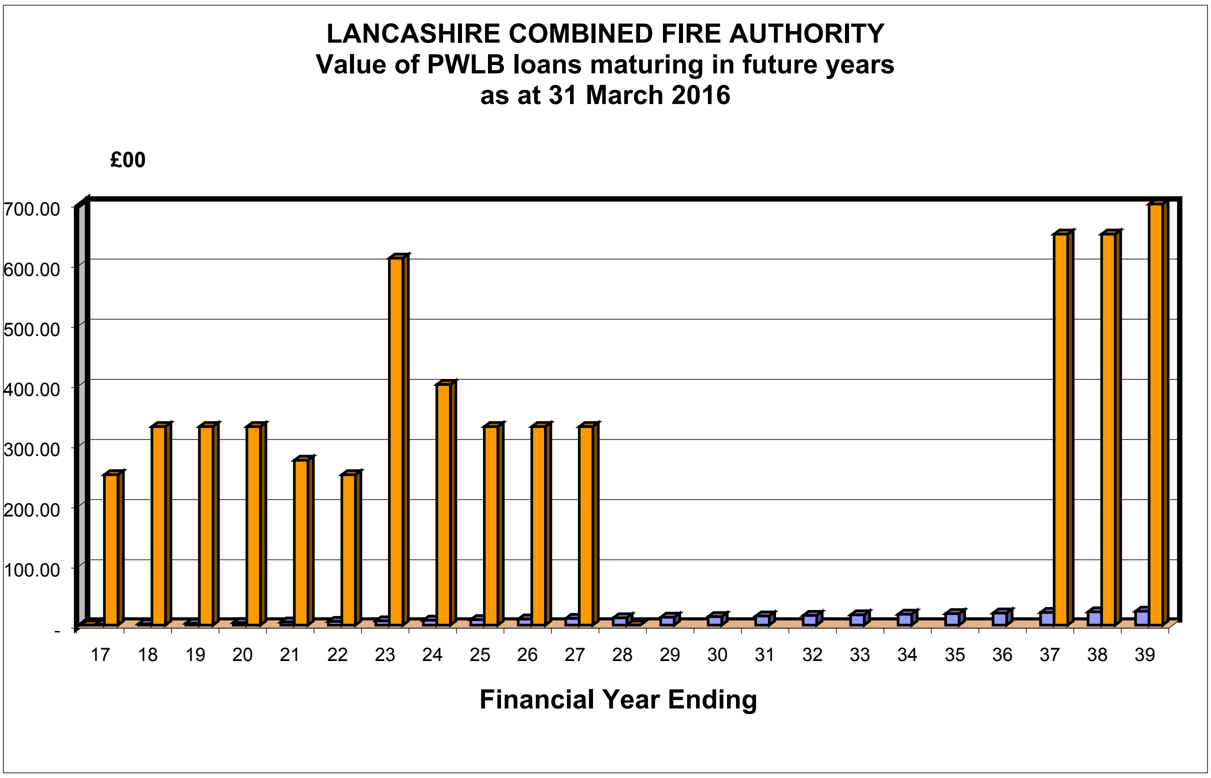
The past due amount can be analysed by age as follows:

	2015/16 £000	2014/15 £000
0 to 30 days	48	80
31 to 60 days	4	57
61 to 90 days	2	2
91 to 180 days	10	-
Over 180 days	16	6
	80	145

Liquidity Risk

The Authority has a comprehensive cash flow management system (administered by Lancashire County Council's Treasury Management Team) that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from Lancashire County Council at current market rates. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. In managing our financial liabilities, we seek to achieve a maturity pattern of our borrowings which will ensure that there are no heavy concentrations of maturities in any one year.

The maturity profile of our debt is shown in the table below. This illustrates the spread of maturities into the future and how we have avoided the need for too much debt to be replaced in any one year.



Market risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rate movements would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the deficit on the provision of services will rise

We hold fixed rate financial liabilities (borrowings) and variable rate financial assets (investments).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate loans would not impact on the Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Instead, the effect of changes in market interest rates is to change the fair value of the liabilities reported in the notes to the balance sheet. Fair values represent the amount due if debt is repaid before its maturity date. When the loans finally mature, they will be repayable at their nominal values.

Our financial assets are the cash deposits placed in a call account with Lancashire County Council. Interest received on them is linked to the base rate. Each working day the balance on the Authority's Call Account is invested to ensure that the interest received on surplus balances is maximised. The average balance within this account throughout the year was £33.1 million and, with no change in that level of balances, a 1% increase in the market rate of interest, if sustained over the whole year would give rise to additional interest earned of £331,000 and a 1% fall would give a reduction of the same amount.

22 Local Authority Controlled Company – NW Fire Control Limited

NW Fire Control Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The Company has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Fire Control Ltd. The cost of the service is charged out to the four FRAs on an agreed pro rata basis agreed by a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2015/16 in respect of NW Fire Control Ltd. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2015/16 having considered both qualitative and quantitative factors, including the following:

- The 25% share of assets, liabilities, income and expenditure are not material against the balances of LFRS
- Exclusion of the values would not affect the true and fair concept of the financial statements
- The joint control centre was set up to generate savings for the FRAs not because they could not provide the service.
- There are no concerns regarding commercial risk
- No assets have been transferred from the FRAs to NW Fire Control Ltd
- The inclusion of Company figures into Group Accounting would not add value to the reader of the Statement of Accounts

Below shows the key Information from the Draft Financial Statements of NW Fire Control Ltd:

Key Information	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Total assets less Current Liabilities	239	217
Net assets*	(822)	(2,202)
(Loss)/Profits Before Taxation	(240)	2
(Loss) After Taxation	(246)	(5)
Debtor Balance (LFRS)	278	-
Creditor Balance (LFRS)	-	11
Invoices raised by NW Fire Control to LFRS	1,050	755
Invoices raised by LFRS to NW Fire Control	34	62

*Net assets includes the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries.
All figures are shown net of VAT.
Invoices are raised quarterly in advance for the service to the Fire Authorities, the advance invoices in respect of Quarter 1 2016/17 are included in the above figures.
Transactions between LFRS and NW Fire Control Ltd include Invoices Raised by NW Fire Control to LFRS for the Control Room service and use of facilities in the building.
Invoices raised by LFRS to NW Fire Control Ltd include charges for staff seconded to NW Fire Control.
The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2016 for the final audited 2015/16 accounts.

23 Adjust net surplus/(deficit) on the provision of services for non cash movements

	2015/16	2014/15
	£000	£000
Depreciation	3,107	3,312
Impairment & downwards valuations	431	539
Amortisation	134	132
Increase/(decrease) in provisions	228	471
Increase/(decrease) in creditors	391	(1,170)
(Increase)/decrease in debtors	507	(873)
(Increase)/decrease in stock	34	46
Movement in pension liability	14,928	14,859
Net book value of fixed assets sold	325	-
	20,085	17,315

24 Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities

	2015/16	2014/15
	£000	£000
Interest received	136	129
Interest paid	(1,635)	(1,669)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy note 1, sections p and r)

25 Amounts Reported for Resource Allocation Decisions

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

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to Fire fighting and Fire Safety.

The income and expenditure of the Authority's principal cost area - fire fighting and fire safety recorded in the budget reports for the year is as follows:

	Fire Fighting and Fire Safety Analysis	
	2015/16 £000	2014/15 £000
Fees, charges & other service income	(4,405)	(4,550)
Interest and investment income	(16)	(21)
Employee expenses	32,291	35,762
Other service expenses	5,370	5,584
Interest payable	1,420	1,434
Capital charges	187	244
Transfer to/(from) reserves	144	(138)
Total expenditure	39,413	42,885
Net expenditure	34,992	38,314

Reconciliation of Fire Fighting and Fire Safety Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2015/16 £000	2014/15 £000
Net expenditure in the Fire Fighting and Fire Safety Analysis	34,992	38,314
Net expenditure of support services not included in the Analysis	(34,515)	(38,496)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	12,283	12,404
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(351)	(465)
Cost of Services in the Comprehensive Income and Expenditure Statement	**12,409**	**11,757**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of fire fighting and fire safety income and expenditure relate to a subjective analysis of the (Surplus)/Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

					2015/16
	Fire fighting and fire safety Analysis £000	Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Fees, charges and other service income	(4,405)	(12)	-	-	(4,417)
Interest and investment income	(16)	(351)	-	-	(367)
Income from council tax	-	(27,541)	357	-	(27,184)
Government grants	-	(29,429)	(3,002)	-	(32,431)
Total Income	(4,421)	(57,333)	(2,645)	-	(64,399)
Employee expenses	32,291	10,319	14,928	-	57,538
Other service expenses	5,370	8,524	-	-	13,894
Depreciation, amortisation and impairment	-	3,672	-	-	3,672
Interest payments	1,420	284	-	-	1,704
Mitigation of depreciation, amortisation and impairment	-	(3,588)	-	3,588	-
Capital charges	187	3,148	-	(3,335)	-
Transfers to/(from) reserves	144	460	-	(604)	-
Total Expenditure	39,413	22,818	14,928	(351)	76,808
Surplus on the provision of services	34,992	(34,515)	12,283	(351)	12,409

2014/15

	Fire fighting and fire safety Analysis £000	Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Fees, charges and other service income	(4,550)	454	-	-	(4,096)
Interest and investment income	(21)	(351)	-	-	(372)
Income from council tax	-	(25,931)	(328)	-	(26,260)
Government grants	-	(32,405)	(2,127)	-	(34,532)
Total Income	(4,571)	(58,233)	(2,455)	-	(65,260)
Employee expenses	35,762	7,307	14,859	-	57,927
Other service expenses	5,584	7,785	-	-	13,369
Depreciation, amortisation and impairment	-	3,983	-	-	3,983
Interest payments	1,434	304	-	-	1,738
Mitigation of depreciation, amortisation and impairment	-	(3,983)	-	3,983	-
Capital charges	244	3,648	-	(3,892)	-
Transfers to/(from) reserves	(138)	694	-	(556)	-
Total Expenditure	42,885	19,737	14,859	(465)	77,017
Surplus on the provision of services	38,314	(38,496)	12,404	(465)	11,757

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. 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.

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using the Discounted Cash Flow (DCF) model.	The Authority uses the DCF model to measure the fair value of its PFI liabilities. Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.5m.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured as follows: A 0.1% increase in these assumptions has the following effect on the net pension liability: • Discount rate – decrease of £13.3m • Inflation rate – increase of £13.6m • Pay growth – increase of £3.1m A 1 year increase in life expectancy will increase the net pension liability by £14.8m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

FIREFIGHTERS' PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

Fund Account	2015/16 Total £000	2014/15 Total £000
Income to the fund		
Contributions receivable:		
- from employer		
- normal contributions	(4,086)	(4,478)
- other contributions	(186)	(203)
- from members	(3,594)	(3,216)
Transfers in:		
- individual transfers from other schemes	(17)	-
Total Income to the Fund	**(7,883)**	**(7,897)**
Spending by the fund		
Benefits payable:		
- Pension payments	17,492	16,535
- Commutations of pensions and lump-sum retirement benefits	6,634	4,721
Transfers out:		
- individual transfers out to other schemes	197	1,256
Total Spending by the fund	**24,323**	**22,512**
Net amount receivable for the year before top up grant receivable from central government	**16,440**	**14,615**
Top up grant receivable from central government	(16,440)	(14,615)
Net amount receivable for the year	**-**	**-**

Net Assets Statement	2015/16 £000	2014/15 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(3,377)	(4,752)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	3,377	4,752
Net current assets at the end of the year	**-**	**-**

Firefighters Pension Fund Notes

The four firefighters pension schemes (1992 scheme, 2006 scheme, special members of the 2006 scheme and 2015 scheme) are unfunded defined benefits schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pension payments as they fall due. The Authority makes employers contributions into the schemes and the balance of funding required after pension payments are made is received from central government.

The above statement shows the financial position of the total fire fighters pension fund account, showing that as at 31 March 2016 the Authority is owed £3.377m (2014/15: £4.752m) by the CLG in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long term pension obligations can be found in the Authority's main statements, and also note 15 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

The note has been prepared in line with general accounting policies set in Note 1 – accounting policies, in particular section f.

<u>Contribution Rates</u>
Under the firefighters pension regulations the contribution rates during 2015/16 were as follows:

- for the 1992 scheme were circa 35.9% on average of pensionable pay (21.7% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2006 scheme were circa 22.3% on average of pensionable pay (11.9% for employers and between 9.4% and 10.9% for employees dependent on salary)
- for special members of the 2006 scheme were circa 35.9% of pensionable pay (21.7% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2015 scheme were circa 26.5% on average of pensionable pay (14.3% for employers and between 10% and 14.5% for employees dependent on salary)

These contribution levels are set nationally by the CLG, and are subject to triennial revaluations by the Government Actuary's Department. One ill health retirement was recognised during 2015/16, and five in 2014/15.

<u>Benefits Paid</u>
Pensions are paid to retired officers, their survivors and others who are eligible for benefits under new and existing pension schemes.

<u>Communities and Local Government (CLG) Grant</u>
There are no investment assets and the fund is balanced to zero each year by receipt of a top up grant from the CLG, if contributions are insufficient to meet the cost of pension payments, or by paying over any surplus grant.

<u>Future Liabilities</u>
The firefighters pension fund financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

GLOSSARY OF TERMS

Accrual
A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the Balance Sheet date.

Amortised cost
Amortised cost is a valuation basis for financial instruments that, in the case of this Authority's assets and liabilities, is equal to their nominal value plus any interest accrued to the balance sheet date.

Budget
A statement which reflects the Authority's policies in financial terms and which quantifies its plans for spending over a specified period. The Revenue Budget (i.e. spending other than capital expenditure) is normally finalised and approved in January prior to the commencement of the financial year.

Capital Expenditure
Payments made for the acquisition or provision of assets which will be of relatively long-term value to the Authority e.g. land, buildings and equipment. Also referred to as capital spending, capital outlay, or capital payments. The resulting capital assets are referred to as "fixed assets".

Capital Receipts
Proceeds from the sale of capital assets. Such income may only be used for capital purposes, i.e. to repay existing loan debt, or to finance new capital expenditure in proportions determined by the Government. Any receipts which have not yet been utilised as described are referred to as "capital receipts unapplied".

Comprehensive Income & Expenditure Statement
An account which records an authority's day to day expenditure and income on items such as salaries and wages, running costs of services and the financing charges in respect of capital expenditure.

Creditors
Amounts owed by the Authority for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

Debtors
Sums of money due to the Authority in the relevant financial year but not received at the Balance Sheet date.

Fair Value
Fair value is a valuation basis for financial instruments that represents the amount at which the instruments could be exchanged in an open market transaction. If no market for a specific instrument exists, fair value can be estimated by a technique that is based on a comparison of the interest rate on the instrument with interest rates on similar instruments that are available in financial markets.

Financial Instrument
A financial liability or asset such as a borrowing or an investment.

Financial Year
The period of twelve months for which the accounts are comprised. For Fire Authorities the financial year (or accounting period as it is also known) commences on 1 April and finishes on the 31 March of the following year.

Financing Charges
Annual charges to the Authority's Comprehensive Income and Expenditure Statement to cover the interest on and the repayment of, loans raised for capital expenditure. Annual lease rental payments are also included.

Premiums and Discounts
Premiums are payable and discounts receivable when loans are repaid to the Public Works Loan Board (PWLB) in advance of their contracted maturity date. The premium or discount is calculated with reference to the interest rate on the loan being repaid and the interest rate for similar new loans on the repayment date.

Public Works Loan Board (PWLB)
A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Revenue Contribution to Capital Outlay
The financing of capital expenditure by a direct contribution from revenue account, rather than by means of loan or other forms of finance.

Revenue Expenditure
The day-to-day expenditure of the Authority, which is charged to the Comprehensive Income & Expenditure Statement, comprising mainly salaries and wages, running costs, and financing charges.

PART 1 ITEM No 9

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE – 29 JUNE 2016

FINANCIAL MONITORING 2016/17
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the current budget position in respect of the 2016/17 revenue and capital budgets and performance against efficiency targets.

Recommendation

The Committee is requested to note the financial position.

Information

Revenue Budget

The overall position as at the end of May shows an underspend of £0.274m. It is still too early in the financial year for any trends in expenditure to be evident, however we will as usual monitor the situation closely as the year progresses.

The position within individual departments is set out in Appendix 1, with major variances relating to non-pay spend and variances on the pay budget being shown separately in the table below: -

Area	Overspend/ (Under spend)	Reason
	£'000	
Fleet & Technical Services	69	The overspend relates to the timing of committed spend against operational equipment, breathing apparatus and hydrant repairs, as goods and services are ordered for delivery later in the financial year, and therefore expected to reduce as the year progresses. These overspends are partially offset by underspends against vehicle repairs and maintenance and fuel, and the overall position will be monitored.
Property	(84)	The current underspend relates to the timing of spend against planned repairs and maintenance as works are scheduled in for completion later in the financial year, rather than an anticipated forecast underspend at this stage.
Pay	(181)	In terms of the underspend to date, this is broken down as follows: • Wholetime pay (£51k underspend) relates largely to the timing of costs of ad hoc payments such as overtime and public holidays, and will be monitored closely for the rest of the financial year.

		• Retained pay (£113k underspend) relates to vacant hours of cover across many fire stations, plus timing of spend for retained training courses scheduled for later in the financial year.. • Support staff pay (£18k underspend) relates to various vacant posts for which recruitment is currently underway.

<u>Capital Budget</u>
The Capital Programme for 2016/17 stands at £7.663m, after allowing for slippage, as reported elsewhere on the agenda, however it is now necessary to bring forwards the budget for the replacement of the wide area network (WAN) which had been approved for the next financial year as part of the five year capital programme, to allow the procurement process to start during 2016/17. This will be funded from capital reserves. In addition, in order to allow for operational crews to be fully trained on the new Aerial Ladder Platforms (ALP's) bought towards the end of the 2015/16 it is necessary to either extend the existing lease, which runs out on 28 June, or to purchase the vehicle. Following discussion with the Chairman we have agreed to purchase this for £20k, as opposed to paying £1.5k per month to lease this. We anticipate being in a position to sell the vehicle once the training is completed and based on market research anticipate a price in excess of £15k. Hence allowing for this purchasing, rather than extending the lease, represents better value for money. The cost will be met from a contribution from the revenue budget, and is reflected in the revised capital programme of £8.063m.

A review of the programme has been undertaken to identify progress against the schemes as set out below: -

Pumping Appliances	The budget allows for the purchase of 5 pumping appliances for the 2016/17 programme, for which the contract has just been awarded, and the order will shortly be placed. We anticipate that these appliances will be delivered by March 2017.
Other vehicles	This budget allows for various operational support vehicles, including 2 Driver Training Vehicles (DTVs) which will be progressed in the next few months.
Operational Equipment / Future Firefighting	This budget was set aside to meet the costs of innovations in firefighting equipment, and the spend to date reflects the purchase of an Unmanned Aerial Vehicle (UAV) or drone, which is now operational.
Building Modifications	The budget allows for the remaining items of capital works at the Training Centre site in order to make the site fit for purpose for the next five years, in addition the budget allows for the relocation of the Fleet workshop to Training Centre. The budget allows for the provision of a replacement for Lancaster Fire Station, incorporating a joint Fire & Ambulance facility. Expenditure to date relates to the purchase of the adjacent property in order to facilitate the redevelopment. In addition, the budget contains provision for the replacement of Carnforth fire station.

IT systems	The majority of this budget relates to the following areas:- • Initial costs of the national Emergency Services Mobile Communications Project (ESMCP) to replace the Airwave wide area radio system – with further budgetary provision included in the 2017/18 draft capital programme. • the replacement of the wide area network (WAN) to allow a solution to be in place when current service contracts are due to end during 2017/18. • The replacement of various systems, in line with the ICT asset management plan, however these are reviewed prior to starting the replacement process.

Appendix 2 sets out the capital programme and the expenditure position against this, as reflected above. The costs to date will be met by both capital grant and revenue contributions.

<u>Delivery against savings targets</u>
The following table sets out the efficiencies identified during the budget setting process, hence removed from the 2016/17 budget, and performance to date against this target: -

	Annual Target	Target at end of May	Savings at end of May
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, Prevention & Protection Review outcomes, functional saving reviews plus management of vacancies	1.512	0.173	0.218
Reduction in capital financing charges	0.284	0.047	0.047
Reduction in service delivery non pay budgets including the smoke detector budgets	0.145	0.024	0.047
Removal of the contribution to Greater Manchester FRS in respect of their Urban Search And Rescue team	0.122	0.020	0.020
Reduction in Fleet repairs and maintenance and fuel budgets	0.068	0.011	0.011
Reduction in Property repairs and maintenance and utilities budgets	0.034	0.006	0.078
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.061
Balance – cash limiting previously underspent non pay budgets	0.337	0.056	0.056
Total	2.502	0.337	0.540

The performance to date is ahead of target, a combination of the underspend on salaries for the first two months, plus savings in respect of procurement activities during the same period. It is anticipated that we will meet our efficiency target for the financial year.

Financial Implications

As outlined in the report.

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	**Date**	**Contact**
None		
Reason for inclusion in Part II, if appropriate:		

BUDGET MONITORING STATEMENT

May 2016

DFM Expenditure	**Total Budget**	**Budgeted Spend to May 2016**	**Actual Spend to May 2016**	**Variance O/Spend (U/Spend)**	**Variance Pay**	**Variance Non-Pay**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Training & Operational Review	3,245	669	659	(10)	(15)	5
Fleet & Technical Services	2,363	445	514	70	1	69
Executive Board	1,000	198	192	(7)	1	(7)
Corporate Communications	284	50	42	(8)	-	(9)
Human Resources	467	80	91	10	9	2
Occupational Health Unit	234	39	25	(14)	4	(18)
Central Admin Office	364	62	62	-	2	(2)
Finance	142	24	23	-	(1)	-
Procurement	731	119	107	(12)	(8)	(4)
Property	1,393	283	202	(81)	3	(84)
Safety Health & Environment	157	26	28	2	2	-
Prince's Trust Volunteers Scheme	-	23	29	6	-	6
Service Development	3,687	642	633	(8)	13	(21)
Control	1,092	273	273	-	-	-
Information Technology	2,265	371	415	44	-	44
Service Delivery	32,258	5,882	5,637	(246)	(193)	(53)
External Funding	-	7	8	-	-	-
Special Projects	6	1	7	6	-	6
TOTAL DFM EXPENDITURE	49,687	9,194	8,946	(248)	(181)	(67)
Non DFM Expenditure						
Pensions Expenditure	1,257	166	160	(7)	-	(7)
Other Non-DFM Expenditure	4,667	603	584	(20)	-	(20)
NON-DFM EXPENDITURE	5,924	770	743	(26)	-	(26)
TOTAL BUDGET	55,611	9,964	9,689	(274)	(181)	(93)

CAPITAL BUDGET 2016/17	Revised Programme	Resources June	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date
Vehicles						
Pumping Appliance	0.950	0.000	0.950	0.000	0.000	0.000
Other Vehicles	0.530	0.020	0.550	0.020	0.020	0.000
	1.480	0.020	1.500	0.020	0.020	0.000
Operational Equipment						
Operational Equipment	1.000	0.000	1.000	0.070	0.066	(0.004)
	1.000	0.000	1.000	0.070	0.066	(0.004)
Buildings Modifications						
STC Redevelopment	0.852	0.000	0.852	0.000	0.000	0.000
Day Crewing Plus	0.008	0.000	0.008	0.001	0.007	0.006
Lancaster Replacement	3.692	0.000	3.692	1.480	1.477	(0.003)
Other works	0.308	0.000	0.308	0.002	0.004	0.002
	4.860	0.000	4.860	1.483	1.488	0.005
ICT						
IT Systems	0.323	0.380	0.703	0.021	0.012	(0.009)
	0.323	0.380	0.703	0.021	0.012	(0.009)
Total Capital Requirement	**7.663**	**0.400**	**8.063**	**1.594**	**1.587**	**(0.007)**
Funding						
Capital Grant	2.640	0.000	2.640	1.480	1.477	(0.003)
Revenue Contributions	2.750	0.020	2.770	0.114	0.109	(0.004)
Earmarked Reserves	0.200	0.000	0.200	0.000	0.000	0.000
Capital Reserves	2.073	0.380	2.453	0.000	0.000	0.000
Total Capital Funding	**7.663**	**0.400**	**8.063**	**1.594**	**1.587**	**(0.007)**

PART 1 ITEM No. 10

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

FOUR YEAR SETTLEMENTS
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

As part of the Local Government Finance Settlement the Secretary of State announced an offer of four year funding settlements for local authorities in return for publishing an efficiency plan.

The attached letter from the Minister for Policing, Fire, Criminal Justice and Victims, re-affirms this offer and sets out details of the requirements in order to apply for this.

Recommendation

The Committee is requested to note the letter and agree to a subsequent report being presented to the full Authority in September outlining options and including a draft efficiency plan.

Information

In order to apply for the Four Year Funding Settlement we will need to publish a robust, transparent and locally owned efficiency plan which should:-

- be published and easily accessible to the public on the fire and rescue authority's website, clearly stating what it contains;
- include the full 4 year period to 2019-20, and be open and transparent about the benefits the plan will bring to both the fire and rescue authority and the local community;
- demonstrate the level of cashable and non-cashable savings you expect to achieve through the Spending Review period, the timetable for delivery, and key risks and mitigation strategies;
- include the approach to increasing collaboration, including with the police and local public sector partners and in relation to procurement;
- demonstrate how more flexible working practices will be achieved, including more effective utilisation of retained firefighters;
- include a commitment to the publication of transparent performance information;
- include a clear strategy for the use of reserves; and
- include a commitment to publishing annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

This issue will be discussed at the July meeting of the National Fire Finance Network, following which a report will be presented to the full Authority in September in order to determine whether to apply for the four year settlement and to agree on a suitable efficiency plan.

For information the draft four year settlement included in the Local Government Finance Settlement identified a reduction of £1.8m for the current year, with further reduction of £ 3.7m over the next three years:-

		Reduction	
2015/16	£29.4m		
2016/17	£27.6m	£1.8m	6.4%
2017/18	£25.3m	£2.3m	8.3%
2018/19	£24.3m	£1.0m	3.8%
2019/20	£23.9m	£0.4m	1.6%
		£5.5m	18.7%

The deadline for an application is 14 October 2016.

Financial Implications

None at this stage, although clearly the decision as to whether to apply or not will impact on future funding levels.

Business Risk Implications

Securing a four year funding settlement provides greater certainty in terms of financial planning for the Authority, thus minimising the risk of a further significant unexpected cut in funding

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	**Date**	**Contact**
None		
Reason for inclusion in Part II, if appropriate:		

Appendix 1

Home Office

Rt Hon Mike Penning MP
Minister for Policing, Fire,
Criminal Justice and Victims

2 Marsham Street
London
SW1P 4DF
www.gov.uk/home-office

24 May, 2016

Dear Fire Authority Chair,

Fire and Rescue Authorities' Efficiency Plans

As announced last year, the Government is offering single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019-20 in return for robust and transparent efficiency plans. This will provide funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners.

I am offering flexibility to Fire and Rescue Authorities on the format of your efficiency plans, but it is important that they should be locally-owned and published in a way which allows for transparency and progress to be scrutinised by local people.

I have set out some requirements for applying to accept this offer in the attached annex. It remains open to any Fire and Rescue Authority not to apply, and to continue to work on the basis of year-by-year funding allocations.

If you wish to take up the offer of a firm four-year funding allocation to 2019-20 please email **Firefunding@homeoffice.gsi.gov.uk** by **5pm on Friday 14 October 2016** and include a link to your published efficiency plan. Please be aware that we reserve the right to publish such plans to enable greater transparency if needed. We will of course inform you if we intend to do so.

To assist us with the easy identification of key information on forecast income and savings, a simple template will be provided shortly which should be completed and returned to my officials. For further enquiries please contact harsha.thaker1@homeoffice.gsi.gov.uk in the Fire Strategy and Reform Unit.

I look forward to hearing from you if you would like to take up the offer.

Mike Penning

Rt Hon Mike Penning MP

Annex

Conditions of the multi-year settlement

The Home Office will offer any Fire and Rescue Authority a four-year funding settlement to 2019-20, in return for a robust, transparent and locally owned efficiency plan.

Each efficiency plan should:-

- be published and easily accessible to the public on the fire and rescue authority's website, clearly stating what it contains;
- include the full 4 year period to 2019-20, and be open and transparent about the benefits the plan will bring to both the fire and rescue authority and the local community;
- demonstrate the level of cashable and non-cashable savings you expect to achieve through the Spending Review period, the timetable for delivery, and key risks and mitigation strategies;
- include the approach to increasing collaboration, including with the police and local public sector partners and in relation to procurement;
- demonstrate how more flexible working practices will be achieved, including more effective utilisation of retained firefighters;
- include a commitment to the publication of transparent performance information;
- include a clear strategy for the use of reserves; and
- include a commitment to publishing annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts) on how you intend to make the most of capital receipt flexibilities if appropriate.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should authorities choose to accept this offer.

We reserve the right to publish efficiency plans.

Process for applying for the offer

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14th October. We will provide confirmation of the offer shortly after the deadline.

Process for those who do not take up the offer

Those Fire and Rescue Authorities that choose not to accept the offer will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

PART 1 ITEM No 11

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 29 June 2016

DELEGATION OF PENSION FUNCTION

Contact for further information:
Bob Warren – Director of People & Development – telephone 01772 866804

Executive Summary

Our current pension administrator (Your Pension Service) has entered into an Asset and Liability Management Partnership with the London Pension Fund Authority.

This requires Lancashire Fire & Rescue Service (LFRS) to revise its agreement with "Your Pension Service".

Legal advice has been sought and it is proposed to enter into a continued arrangement with Lancashire County Council (LCC) to discharge the pension administration function on behalf of LFRS.

Decision Required

Members are asked to note the report, approve the discharge of function and authorise the finalisation of the arrangement.

Information

LFRS currently contracts with Lancashire County Council's Pension Administration Services (Your Pension Service) for pension administrative services for the Firefighter Pension Schemes and separately is part of the LCC Local Authority Pension Scheme Fund.

"Your Pension Service" has entered into a creation of an Asset and Liability Management Partnership with the London Pensions Fund Authority (LPFA) with effect from 1 April 2016.

The stated aim of the partnership is to:

1. Create a large pool of assets of which more can be managed in house at low cost, which is in keeping with the Government's stated aim of creating a smaller number of LGPS "Wealth Funds".

2. Create a shared service that will provide an end to end service in the management of pension schemes dealing with all aspects of pension administration from processing data member communications and the payment of benefits.

The Pensions administration currently undertaken on behalf of LFRS by "Your Pension Service" will be delivered by a company jointly owned by the Lancashire County Pension Fund and the LPFA. The company will be known as the Lancashire and London Pension Partnership (LLPP).

This changed arrangement alters the basis under which the service is performed which necessitates a new agreement and the discharge of function in accordance with the provisions of section 101 of the Local Government Act 1972.

LFRS is highly satisfied with the services it currently receives.

The Service's preferred option is for LCC to continue to discharge the pension administration function on behalf of LFRS. However, due to the potential legal ramifications, external legal advice was sought as to whether the proposed route was legal and appropriate and did not contravene EU procurement rules and could proceed as a "discharge of function".

Similar arrangements currently exist between Lancashire CC and both Cumbria County Council and Merseyside Fire & Rescue Service for their firefighter schemes. Cumbria County Council has already entered into a contract with LLPP, so joint advice was sought by Merseyside and ourselves. The advice confirms the proposal is an acceptable method of delivery.

Following receipt of that advice additional changes have been incorporated into the documentation which can now be finalised. The alternative would be to re-tender the pension provision through a tendering exercise.

The proposed arrangement is already being utilised to enable GMFRS to administer our Payroll administration

Financial Implications

None

Business Risk Implications

If the mechanism proposed was not legal then the reputational and financial implications could be significant.

Environmental Impact

Not applicable

Equality and Diversity Implications

Not applicable

Human Resource Implications

The provision of effective pension arrangements are a crucial part of the employment contract and if not satisfactory would cause reputational and morale damage.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 15

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 16

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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