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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 27 September 2017 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.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 14)

   Updated minutes following CFA Meeting held 18 September 2017, (emboldened sections of resolution 7/17 refer).

4. REVISIONS TO THE STATEMENT OF ACCOUNTS 2016/17 (Pages 15 - 116)

5. FINANCIAL MONITORING 2017/18 (Pages 117 - 126)

6. WORKFORCE PLAN (Pages 127 - 148)

7. EQUALITY, DIVERSITY & INCLUSION ACTION PLAN AND PROGRESS REPORT (Pages 149 - 188)

8. DEBT RESTRUCTURING (Pages 189 - 196)

9. DATE AND TIME OF NEXT MEETING

   The next scheduled meeting of the Committee has been agreed for 10:00 hours on 29 November 2017 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 21 March 2018 and 13 June 2018
proposed for 26 September 2018.

10. 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.

10.1 URGENT BUSINESS - THE 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT - TECHNICAL CONSULTATION PAPER (Pages 197 - 200)

11. 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.

PART 2

12. EXTRACT FROM WORKFORCE PLAN AND EQUALITY, DIVERSITY AND INCLUSION ANNUAL REPORT (Pages 201 - 202)

(Paragraph 2)

13. CAR ALLOWANCES - TAX IMPLICATIONS (Pages 203 - 206)

(Paragraphs 2 and 3)

14. HIGH VALUE PROCUREMENT PROJECTS (Pages 207 - 214)

(Paragraph 3)

15. 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, 28 June 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
D Coleman
N Hennessy (Vice-Chair)
T Martin
D O'Toole
D Stansfield
M Tomlinson (for L Beavers)

Officers

C Kenny, Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
B Warren, Director of People and Development (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

1/17 APOLOGIES FOR ABSENCE

Apologies were received from County Councillors L Beavers and G Wilkins and Councillors F Jackson and T Williams.

2/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

3/17 MINUTES OF PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 29 March 2017 be confirmed as a correct record and signed by the Chairman.

4/17 EXTERNAL AUDIT - UNDERSTANDING HOW THE COMMITTEE GAINS ASSURANCE FROM MANAGEMENT

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton was required to obtain an assurance as to how those charged with governance discharged their responsibilities in connection with oversight of the annual accounts process and financial reporting. The letter requesting this was considered by Members. A draft response prepared by the Chairman of the Resources Committee was also considered by Members. It was noted that the Audit

Committee had provided a similar response in connection with the risk of fraud and breaches of internal controls.

In response to Member queries the Director of Corporate Services provided reassurance that it was usual practice for the response letter to the external auditors to be prepared as a draft for consideration by Members at this meeting. Any changes approved by the Committee would then be incorporated into the letter before signing by the Committee Chairman.

RESOLVED: - That the Committee approve and endorse the submission of the response.

5/17 YEAR END TREASURY MANAGEMENT OUTTURN 2016/17

The report set out the Authority's borrowing and lending activities during 2016/17.

All borrowing and investment activities undertaken throughout the year were in accordance with the Treasury Management Strategy 2016/17, and were based on anticipated spending and interest rates prevailing at the time.

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 received regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity were discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Director of Corporate Services and the content of these reports was used as a basis for this report to the Committee.

The Director of Corporate Services confirmed that the economic situation in the year was largely dominated by the uncertainty about the short and medium term implications of the decision in June 2016 to leave the European Union. In response to the risk of reduced economic growth, the Bank of England Monetary Policy Committee initiated a cut in bank rate to 0.25%, further gilt and corporate bond purchases and cheap funding for banks to maintain supply of credit to the economy.

The year had seen steady economic growth. Inflation remained low in the first half of 2016 but there had been signs of this increasing towards the end of the year with inflation measured at 2.3% at March 2017. Since the referendum vote the value of sterling had fallen and this was a significant factor behind the increase in inflation.

The year had seen significant volatility in the financial markets as a result of both the UK vote to leave the European Union (EU) and the election of the President of the USA. As a consequence of the uncertainty gilt yields fell, the UK's sovereign rated was downgraded to AA and the value of sterling fell. The impact of the negotiations to leave the EU would be a source of ongoing uncertainty.

Short term interest rates continued at historically very low levels. In response to a potential reduction in economic growth the Bank of England reduced the base rate from 0.5% to 0.25% in August 2016; a level it remained at throughout the rest of the year. The expectation during the year was that interest rates would remain low for the rest of the financial year and beyond.

Cash flow and interest rates continued to be monitored by the Director of Corporate Services and the County Council's Treasury Management team in order to inform future decisions on borrowing and investments.

There had been no new borrowing undertaken in the year in line with the continuation of the policy of using cash balances to fund capital expenditure which had resulted in no new borrowing being undertaken since 2007. In addition, the Authority had a policy to set aside monies in the form of statutory and voluntary minimum revenue provisions to reduce borrowing requirements end enable the repayment of debt as it matured. The estimated balance at 31 March 2016 was £5.682m and therefore during the year a maturing debt of £0.250m was repaid.

In response to a question raised by CC O'Toole on whether it would be prudent to use reserves to pay off some of the debt the Director of Corporate Services confirmed that exercises had been undertaken and reported to the Authority previously but that these had concluded that as a result of the premium associated with the early repayment of the debt this was not deemed to be cost effective.

Members requested the Director of Corporate Services bring a report to a future meeting setting out facts, figures, options and consequences of using reserves to pay off some of the debt.

Investments

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. Throughout the year when investing money the key aim was to strike an appropriate balance between risk and return.

Two long term investments were held with UK local authorities as outlined in the report. In addition, the Authority had access to the call account provided by Lancashire County Council which paid the base rate throughout 2016/17. Each working day the balance on the Authority's current account was invested in this to ensure that the interest received on surplus balances was maximised. The average balance in this account during the year was £32.4m earning interest of £0.105m.

The overall interest earned during this period was £0.305m at a rate of 0.72% which compared favourably with the benchmark 7 day notice index which averaged 0.36% over the same period.

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

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators had been determined against which performance could be measured. The revised indicators for 2016/17 were presented alongside the actual outturn position.

RESOLVED: - That the Committee note and endorse the outturn position report.

6/17 YEAR END CAPITAL OUTTURN 2016/17

The report presented the year end position for the Authority's capital programme including how this had been financed, which showed total expenditure in year of £3.508m compared with a total budget of £8.823m with a slippage requirement of £5.354m which resulted in an overall overspend of £0.039m. The slippage was a timing issue dependent on the progress of capital schemes and not an indication of future underspends.

The year end capital outturn position, set out in appendix 1 also showed how the programme had been financed in year, from a combination of capital grant (£2.0m) and revenue contributions (£1.5m). Over the next five years the capital reserves, available to fund future capital programmes outlined in the report now presented, would leave a balance of £3.0m in capital reserves as at 31/3/22.

Under the prudential framework, the Authority was required to identify various indicators to determine whether the approved capital programme was affordable, prudent and sustainable. The revised indicators, after allowing for the various changes to the capital programme, which were set out in the report confirmed that performance had been within approved limits.

The estimated impact on band D council tax of the revised capital programme compared to the actual outturn figures was considered by Members and it was noted that the net impact was zero.

The original approved capital programme for 2017/18 was £8.179m which excluded any estimated slippage from 2016/17. This had been amended to reflect the final level of slippage of £5.354m therefore, the final proposed capital programme for 2017/18 was £13.534m which was funded from capital grant, revenue contributions, capital reserves and earmarked reserves. Full details of the programme and its funding were set out in Appendix 2 and considered by Members.

Revised prudential indicators for 2017/18 to 2019/20 showed that the revised programme remained affordable, prudent and sustainable.

The estimated impact of slippage on band D council tax was considered by Members and noted that there was no net impact in each of the 3 years.

RESOLVED: - That the Committee: -

i. Note the capital outturn position, the financing of capital expenditure 2016/17 and the prudential indicators, and
ii. Approve the revised capital programme, and the financing of this, for 2017/18.

7/17 YEAR END REVENUE OUTTURN 2016/17

The report set out the revenue outturn position, which fed into the Income and Expenditure Statement within the main Statement of Accounts and the impact of the revenue outturn position on the Authority's reserves.

The annual budget for the year had been amended to reflect a slight increase in the

Section 31 grant due in respect of localised business rates for the preceding financial year, which had been subject to reconciliation by CLG. This had resulted in an additional £0.012m of Section 31 grant being received in 2016/17. The outturn position showed a net expenditure of £55.556m against an updated budget of £55.623m giving a total underspend for the financial year of £0.067m.

As reported throughout the year, the Service had identified savings at the earliest possible opportunity following the completion of reviews. The final position within individual departments was set out in Appendix 1 with major variances summarised in the report.

The report identified total in-year efficiency savings of £3.971m compared with a target of £2.502m, performance exceeded the efficiency target, largely as a result of staffing savings made and procurement savings in respect of contracts let during the year.

The Authority held 3 specific revenue reserves: Devolved Financial Management, PFI Equalisation and Other Earmarked Reserves. The impact of the year end position on the reserves was set out in a table, as now presented and the following was noted: -

- Devolved Financial Management (DFM) reserves enabled 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 were that any overspends and 50% of any underspends were 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 was transferred to the Authority's general reserve. The total DFM balance stood at £426k; full details by department were set out in Appendix 2;

- The PFI Equalisation Reserve was used to smooth out the annual net cost to the Authority of both PFI schemes and would be required to meet future contract payments. The level of reserves required was reviewed each year to ensure it was sufficient given changes in forecast inflation and interest rates. The reserves had been updated during the year, resulting in a revised balance of £3.5m;

- **Other Earmarked Reserves were to fund a specific purpose. The overall reserves level had decreased from £5.7m to £3.5m.**

In addition, the General Reserve carried forward all surpluses and deficits that arose in year and was designed to cover uncertainties in 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 were transferred into/out of reserves in order to meet future potential commitments, and as such the balance of the surplus on the revenue budget, £0.26m had been transferred into this reserve. After allowing for these the Authority now held a General Fund balance of £10.4m.

On an annual basis the Treasurer was required to report on the adequacy of reserves, given the risks faced by the Authority setting out the minimum (£2.8m) and maximum (£10.0m) level of reserves considered appropriate. Based on this position the current level of general reserves was slightly in excess of this, however the draft revenue and capital budgets for 2017/18 – 2020/21 included potential drawdowns in excess of £7m which would put this level of reserve at the bottom end of the target range.

In response to a query raised by CC Tomlinson concerning the terminology 'RDS bounty payments' (detailed on page 36 - other non DFM variance) the Director of Corporate Services confirmed that this was a previous retention system which provided an incentive for Retained Duty Staff to remain in the Service by paying a sum after 10, 15 and 20 years' service etc. The bounty payments had stopped when RDS staff had the opportunity to join the pension scheme. However, at the time that was introduced personnel had accrued different lengths of service and the rules provided they were entitled to the relevant proportion of the bounty that they had earned when the scheme ceased, which was paid once an individual reached the relative service anniversary. Hence an earmarked reserve had been set up to meet these costs.

In response to a question from CC O'Toole regarding whether the shortfall in staff had an impact on performance the Chief Fire Officer confirmed that the RDS system was nationally under pressure when you considered trends and availability. RDS stations were often in a rural area and people now worked further afield and therefore not available within 5 minutes of the station. Primary employers were less keen to release people and until recently we have had a recruitment freeze. Nationally there were problems but our RDS availability was one of the best in the country.

RESOLVED: - That the Committee:-

i. Agree the virement in respect of Section 31 grant receivable;
ii. Note the outturn position on the 2016/17 revenue budget as presented;
iii. Agree the proposed transfer of £14k to the Devolved Financial Management Reserve;
iv. Agree the proposed transfer of £97k to the Private Finance Initiative Equalisation Reserve;
v. Agree the proposed net transfer of £206k from Other Earmarked Reserves and the purpose of these;
vi. Note the increase of £258k in the General Reserve.

8/17 STATEMENT OF ACCOUNTS 2016/17

The report presented the Authority's Statement of Accounts and whilst the Statement took account of the information presented in the Year End Capital Outturn, Year End Treasury Management Outturn and Year End Revenue Outturn as previously presented on the agenda, the Statement of Accounts itself was prepared in line with recommended accounting practice. It was noted that this was not accounted for on the same basis as council tax and hence did not tie into the actual revenue position as set out in the Year End Revenue Outturn report. Furthermore this was a very complicated document.

The Statement of Accounts was subject to review by the Authority's external auditors, Grant Thornton. The review was scheduled to take place in June and July and a further report would be presented to the Audit Committee once this had been completed with the final Statement of Accounts re-presented to the Resources Committee for information.

The Statement had been signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2017.

Under existing regulations the Chairman of the Committee approving the accounts had responsibility for signing and dating these. The aim of this requirement was to encourage audited bodies to produce timely accounts of a good quality and promote the concept of corporate governance.

The Statement of Accounts would be placed on deposit for public inspection in from Monday 19 June to Friday 21 July 2017.

The content and format of the accounts was as prescribed in the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Authority's Statement of Accounts set out: -

Narrative Report
This sets out the financial context in which the Combined Fire Authority operated, and provides an overview of the financial year 2016/17 as well as details of future plans.

Annual Governance Statement
This reflected the position the Authority had 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 set out the Auditors opinion on the Statement of Accounts, and was subject to the results of the outstanding audit work which would commence in June.

Statement of Responsibilities
This set 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.

Comprehensive Income & Expenditure Account
This statement showed the accounting cost in the year of providing services. It was a summary of the resources that had been generated and consumed in providing services and managing the Authority during the last year. It included 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 format of this statement had changed since last year end to reflect reporting to management during the year, and the comparative years figures had been restated to reflect this

change. The main points of note were: -

- The cost of corporate services showed reductions when compared with the previous year largely as a result of reduced spend within the property department;
- Pension interest cost and expected return on assets related to adjustments required and was designed to show expected increase in costs of the scheme less the expected increase in asset values. However, as the Firefighters pension scheme was unfunded there was no increase in asset value to offset the increase in scheme costs resulting in a £23.3m charge to the Income and Expenditure Account;
- Page 48 detailed how the Authority raised funding through council tax and grants;
- Actuarial Gains/Losses on pensions assets and liabilities was a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities were calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.

In response to a question raised by CC Martin regarding an increase in overheads (detailed on p47) the Head of Finance advised that this included payments made in year for the capital programme, the transfer of more money into the Capital Funding Reserve, increased depreciation charges and an impairment charge linked to the future demolition of Lancaster fire station.

In response to a question raised by CC Martin regarding the level of capital income grant (detailed on p 48), the Director of Corporate Services confirmed that the Service had been successful in a Government bid for capital grant for Lancaster Fire Station during 2015/16 and since that time there had been no more funding available to bid for.

In response to a question raised by CC O'Toole in relation available reserves the Director of Corporate Services confirmed that the total reserves (as detailed on the balance sheet on p81) was split between unusable and useable. The vast majority of unusable reserves was the pension reserve. This was a technical adjustment and not money the Authority could spend.

Cllr Coleman asked for clarification of the total earmarked reserves for 2016/17 (as detailed on page 105) of the report under notes 17 and 18 as the values were different. The Director of Corporate Services agreed to check and correct this before the Statement of Accounts was placed on deposit for public inspection.

RESOLVED: - That the Committee approve the Statement of Accounts; subject to the correction required to the value of Total Earmarked Reserves for 2016/17 (as detailed on page 105 in the report now presented).

9/17 FINANCIAL MONITORING 2017/18

The report set out the current budget position in respect of the 2017/18 revenue and capital budgets and performance against efficiency targets.

Revenue Budget

The overall position as at the end of May showed an underspend of £0.097m. It was noted that it was too early in the financial year for any trends in expenditure to be evident and that the situation would be closely monitored as the year progressed. The Committee was provided with detailed information regarding the position within individual departments with major variances related to non-pay spend and variances on the pay budget summarised as follows: -

Area	Overspend/ (Under spend)	Reason
	£'000	
Service Delivery	43	The overspend related to various headings, such as uniforms, training props for stations, and furniture, the majority of which were timing related and were expected to even out as the year progressed.
Training & Operational Review	55	The overspend related to the timing of committed spend for training courses taking place later in the financial year, and was therefore a timing issue, rather than an anticipated outturn position.
Pay	(172)	In terms of the underspend to date, this was broken down as follows: • Wholetime pay (£50k underspend) this partly related to the number of early leavers in the year, whereby 4 personnel had left earlier than anticipated, whereas the budget allowed for just 2. With the balance of the underspend relating to the timing of costs of ad hoc payments such as overtime and public holidays. • Retained pay (£70k underspend) reflected the two month delay in implementing the new RDS pay scheme, as previously reported. • Support staff pay (£50k underspend) related to several vacant posts across various departments, which were in excess of the vacancy factor built into the budget. Recruitment for the majority of these vacancies was currently underway, however it was likely that this underspend would increase, albeit at a slower rate, as the year progressed until such time as we return to full establishment.

Capital Budget

The Capital Programme for 2017/18 stood at £13.533m, after allowing for slippage of £5.354m, as reported elsewhere on the agenda.

A review of the programme had been undertaken to identify progress against the schemes as set out in the report. Appendix 2 set out the capital programme and the expenditure position against this, as reflected in the report. The costs to date would be met by both capital grant and revenue contributions. Members also noted that during May the surplus land at Valley Road, Penwortham was sold, bringing a capital receipt of £0.070m which could be used to fund future capital programmes.

Delivery against savings targets

The annual target stood at £1.55m. To date £0.5m of savings had been delivered. The performance to date was slightly 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 was anticipated that the efficiency target would be met for the financial year.

RESOLVED: - That the Committee note the financial position.

10/17 WORKFORCE PLANNING

The Director of People and Development tabled a report which updated Members on the current position in respect of recruitment activity and the measures being taken to improve the process to assist in meeting: ongoing positive action campaign requirements; the nurturing of candidates; the amendment of processes whilst maintaining appropriate standards and the ongoing consideration of the role of apprentices. Members considered the report in detail.

The workforce currently stood at an establishment of 1,242 with slight increases in both BME, female and disabled employees since 2010; but the Service work profile remained unrepresentative of Lancashire’s community. On occasions when undertaking previous recruitment campaigns the Service had been able to reflect the community, for example the 50 Community Fire Service Practitioners was totally representative. However, when aggregated within the whole establishment, this only reflected a slight overall improvement. Of necessity the Retained Duty System (RDS) recruitment reflected the RDS catchment area which was not representative of Lancashire, and the Service had not undertaken any significant wholetime firefighter recruitment for many years prior to this year due to the demands imposed by the austerity measures.

The current recruitment activity was predicated on an ongoing desire to maintain our current operational strength and this meant the Service originally envisaged a recruitment of a further circa 60 firefighters to maintain this level with recruitment in June (36) and January 2018 (24). Further recruitment programmes would be run on an annual basis. This followed a recruitment exercise focused purely on RDS which resulted in 27 new recruits for the wholetime in November 2016. The actual numbers to be recruited would be adjusted through the campaigns to reflect altered demand, retirement and other leavers to meet the overall requirement in the long term.

This recruitment activity would be supplemented by an apprenticeship programme following the imposition on all public bodies of an apprenticeship target of a minimum of 2.3% of headcount annually which equated to a target of 29 apprentices; with a requirement to report on achievement against the target annually from September 2018. Steps had been taken in respect of support staff to consider the role that apprentices could undertake and an opportunistic approach was currently being adopted with all positions under grade 4 being considered for possible apprenticeships as they fell vacant with identification of specific areas of additional need such as in ICT.

The associated Apprenticeship levy was implemented with effect from 6 April 2017 which, based on our current pay bill, equated to £150k. The Service was currently continuing to determine the best way of drawing down from this levy, but the approach would be a combination of support staff apprentices, coupled with higher level apprenticeship training for existing staff and recruiting firefighter apprentices once the issues around the framework to be utilised were clarified. An allocation of £180k had been identified in the budget and more detailed proposals would be brought to a later meeting of the Resources Committee about the utilisation of these funds. Due to uncertainty around the appropriate mechanisms it was feasible that the full allocation would not be utilised in year. If this should occur it was proposed to carry any unspent amount including any set up provision amounts forward as an earmarked reserve as the programmes would require the funding.

The intent was to provide meaningful routes into employment within LFRS and career prospects for young individuals with skills and attributes which would enhance our organisation.

<u>Recruitment</u>
As the Authority had previously sanctioned, the Service had commenced an ongoing programme of recruitment with primacy being given to meeting the appropriate standards, improving the diversity of our workforce and providing an opportunity for our RDS staff to successfully apply for wholetime roles.

The Director of People and Development advised that the endorsed approach had delivered 27 transferees from RDS in 2016. This was as a bespoke programme to address immediate need whilst enabling positive action to be instigated in advance of subsequent recruitment.

Of the 32 on the current recruits' course, 12 emerged from RDS employment, while 5 of the 17 scheduled to attend the recruits course commencing in January 2018 were from the RDS. This demonstrated that the standards required had not adversely affected RDS employees (indeed the role naturally gave an opportunity to demonstrate examples of suitability). Also there were instances where individuals had used the full time standard as a spur to improve their RDS involvement and future employability (driving and enrolment on educational courses being examples). However, this level of success was unlikely to be repeated hence the proposal for additional support. In effect 44 out of the total of 76 personnel recruited have emerged from the RDS grouping. Transferring this level of resource from our RDS establishment did have performance and organisational issues which increased demands on the Service. In many respects this was a harder recruitment challenge than wholetime exercises. A number of individuals transferred had given a dual contract commitment but this was normally with a reduction in RDS hours of cover and the impact had been felt. Whilst it was believed this would act as a spur for future RDS recruitment this benefit had not been seen yet.

Changes in process

The Service had reviewed the whole process to ensure today's and anticipated future fire service was reflected in the person and job specifications. Similarly the Service considered and adopted some positive action initiatives to facilitate recruitment from underrepresented groups, whilst the key determinate remained meeting the Services' standard.

The result from the current campaign was 32 recruited in June and potentially 17 in January 2018. The standard of successful recruits' attainment was high. However the level of underrepresented groups had been disappointing with 3 BME and 5 females being within the 32 new entrants, with one BME candidate commencing in January. The campaign was targeted to improve our diversity and to ensure the anticipated number of applications could be managed. In reality the actual number of applications was lower than anticipated and the rigid standards, set in anticipation of the volume expected, were such that the desired ability to finally select on behaviours was reduced. It was intended to allow some flexibility in future campaigns without compromising the actual standards. The processes had therefore been reviewed to identify improvements.

The main change was to adopt the national fitness standards (as opposed to the higher LFRS standards) as the threshold to provide some potential flexibility in final selection. The Service, based on previous experience, had used higher fitness standards than other services or the national standards required. This had had the consequence of reducing the level of failures on the intensive recruits training programme that immediately followed employment. The decision was also previously influenced by the firefighter pension scheme provisions. In this instance the application of the higher fitness standard had an effect on reducing the numbers to a smaller cohort but potentially had an adverse effect on females. It was proposed to adopt the national standard on the next campaign, but to continue to assess individuals' overall fitness.

Similarly the equipment assembly element of the process had a significant effect on failure rates, including female applicants and therefore whilst the Service still believed the requirement was genuine it was intended to consider an alternative dexterity test rather than the current slightly out of context measure. In addition whether a new test or the current test was used the current practice of a strict pass/fail standard would be modified to give a tolerance. Neither, the ability tests or standard of educational attainment warranted any reduction in standard. The general principle was to allow flexibility so that one slight fail would not unnecessarily rule out a candidate, when the shortfall could be addressed.

To further assist RDS employees and to potentially address any shortfall in overall operational numbers, it was proposed to offer the opportunity for development contracts of 6 months duration. The purpose was to enable individuals to address any operational gaps that they might have. Experience had shown that the gap in the requirements between an RDS and whole-time employee could be significant and this had endorsed the previous decision for all individuals to undertake the full recruitment course as planned rather than a variance on the abridged conversion course undertaken by the 27. The utilisation of development contracts did not provide automatic progression but should enable an individual to enhance their experience ensuring some continued progression from RDS to wholetime.

A separate review of our positive action campaigning initiatives was being undertaken but the emerging themes were that this needed to be a continuous part of our operations and not a bespoke activity as we recruit. The actual generation of applications from underrepresented groups as a percentage was good; but it was considered that the higher pass figures adopted to manage numbers did not give any flexibility in approach, that a 'nearly there' list needed to be collated and nurtured.

It was noted that the results experienced by LFRS were similar to other Fire services and demonstrated the need for the development of solutions that worked within LFRS, working in partnership where benefits were seen.

<u>Shortfall in Numbers</u>
Serious consideration was given to revisiting the applications in order to generate further successful candidates but this was not seen as desirable in view of the messages that would send to the organisation, especially those who were still aspiring or felt concerned about the process, the fact that individuals had already been notified, practicality and the stance the Service had adopted concerning attainment of the standards. Also depending on the actions taken we would either potentially be moving into positive discrimination or revisiting the whole recruitment process. Similarly consideration was given to immediately embarking on a further recruitment campaign coupled with more positive action work. However this was seen to be unrealistic due to the limited resource and time available (as well as the effect on morale in view of the dedicated efforts that individuals had put in) and that the positive action needed to be part of the process if the diversity issue was to be addressed. The outcome was to focus on positive action and nurturing the nearly there candidates and provide opportunities and feedback to our current employees to gain skills.

In response to a concern raised by CC O'Toole regarding whether the initial 27 recruits, from the RDS staff had all achieved the required fitness standard the Director of People and Development confirmed that they had; although there had been a concession where psychometric tests (verbal, numeric and flexibility) had been used rather than educational requirements. Going forward both psychometric and educational requirements were expected.

In response to a question raised by CC Hennessy about the number of females in the Service the Chief Fire Officer confirmed that positive action had been used to encourage people from areas where there was a shortfall in the workforce and there had been a good proportion of BME and female applicants but the standards had to be met. The Director of People and Development added that progression for females was good; the difficulty was receiving applications in the first place. It was noted that the Chief Fire Officer was now leading on Equality, Diversity and Inclusion for the Service together with Cllr Z Khan the new Member Champion for this area.

RESOLVED: - That the position including the ongoing work undertaken in respect of apprentices and the measures being adopted in respect of recruitment be noted.

11/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday 27 September 2017 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 29 November 2017 and 21 March 2018 and agreed for 13 June 2018.

12/17 EXCLUSION OF PRESS AND PUBLIC

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.

13/17 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.

RESOLVED:- That the Committee note the recommendations as outlined in the report.

14/17 URGENT BUSINESS (PART 2)

Development of Preston Fire Station
(Paragraph 3)

RESOLVED:- Members approved the capital investment proposed by the Director of Corporate Services to support the development of joint premises with NWAS at Preston.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

REVISIONS TO THE STATEMENT OF ACCOUNTS 2016/17
(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 changes made during the audit of the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2017.

Recommendation

The Committee is asked to re-approve the revised Statement of Accounts.

Information

The Authority approved the draft Statement of Accounts for the financial year ended 31 March 2017 at the June meeting, prior to the audit being carried out by Grant Thornton.

The Statement of Accounts has now been updated to reflect two adjusted misstatements and one disclosure change identified during the audit (and the revised version is attached as Appendix 1).

The following extracts from Grant Thornton's Audit Findings report outlines the adjustments made (attached as Appendix 2) – Amendments to the draft accounts:

Misclassifications and disclosure changes	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on General Fund £000
Long term investments included an investment that matured within 4 months of the balance sheet date; this has now been reclassified as a short term investment.	0	5,000	0
The business rates collection fund deficit had been incorrectly included within the council tax income, this has now been shown as part of the Non-domestic rates income.	293	0	0
The salary banding classifications of note 4 Employee Emoluments for employees earning more than £50k was incorrect due to a problem with the working paper – this has now been rectified but has no impact on the total number of employees disclosed	0	0	0
Overall impact	0	0	0

For information, the pages which have changed (with a brief description of the change) are as follows:

Comprehensive Income and Expenditure Statement (correction of business rates collection fund deficit classification)
Balance Sheet (correction of short term investment classification)
Note 4 Employee Emoluments (salary banding classifications amended, no overall change)
Note 7 Property, Plant & Equipment (split out PFI assets from Other Land and Buildings)
Note 9 Loans and Receivables (correction of short term investment classification)

The changes requested by Grant Thornton were made to the accounts, and the updated version of the Accounts is being presented to Audit Committee on 27 September for information, alongside the full Audit Findings Report.

The Treasurer to the Fire Authority and the Chair of Resources Committee are therefore required to re-approve the revised accounts by signing off the Balance Sheet.

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
Code and Guidance	February 2017	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	June-Sept 2017	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

APPENDIX 1

STATEMENT OF ACCOUNTS

2016/17

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2016/17

CONTENTS

	Page
Narrative Report	1
Statement on Annual Governance Arrangements	7
Independent Auditor's Report to the Members of Lancashire Combined Fire Authority	14
Statement of Responsibilities	17
Comprehensive Income and Expenditure Statement	18
Movement on Reserves Statement	19
Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements	23
Fire Fighters Pension Fund Account and Net Assets Statement	64
Glossary of Terms	66

NARRATIVE REPORT

The Lancashire Combined Fire Authority (CFA) (the Authority) 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 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 2016/17
- 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 narrative report 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 2017 (referred to as 2016/17). 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 2016/17. The Statement contains:

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

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority – 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.

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.

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.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2017, 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 and Net Assets Statement – 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 2016/17 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.

The new RDS team for Lancaster went live in October 2016 replacing the existing second whole-time pump and delivering savings of £0.9m. Skelmersdale Fire Station also moved onto the Day Crewing Plus system at the start of the new financial year, taking the total to 11 stations operating this crewing system.

We have invested in innovative firefighting equipment during the year, for example we have introduced an Unmanned Aerial Vehicle (UAV or Drone) for use during operational incidents, we have introduced a new type of vehicle, the AT Stinger which has increased capability to deal with fires in roof spaces more effectively. In addition, following on from the December 2015 flooding incidents, we have issued all operational staff with flood suits and various flood rescue equipment items.

We are further developing the Home Fire Safety Check Service, and are currently piloting ‘Safe and Well’ visits to aid vulnerable people referred to us via our partner agencies where there is an increased risk of a poor outcome should a fire in the home occur. This initiative is part of an agreed attempt by NHS England, Public Health England, Local Government Association and Chief Fire Officers Association to design a fire contribution that is complimentary to the wider health agenda nationally.

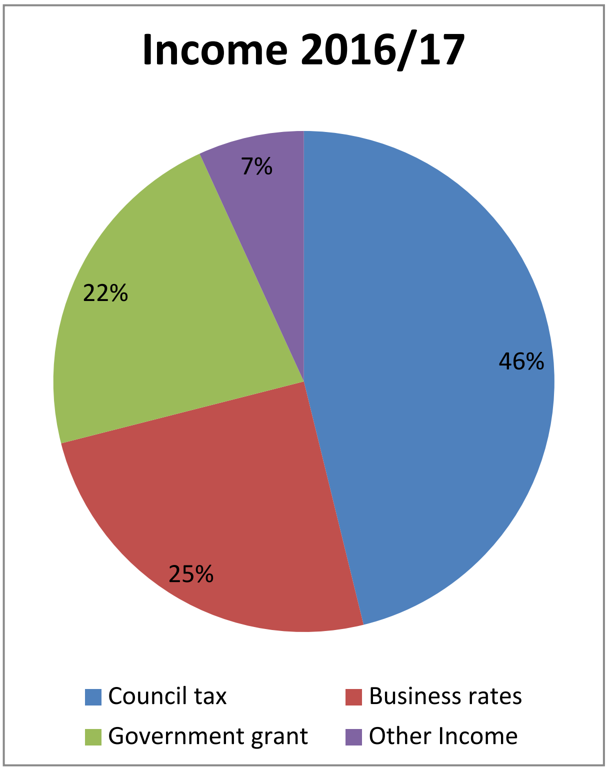
Non-financial performance has remained strong. Activity has decreased by 1.7%, and remains low at less than 15,200 incidents. Overall casualty numbers increased slightly from 49 to 51. The number of accidental dwelling fires saw an almost 10% decrease; however deliberate dwelling fires saw a marginal increase. Further information relating to our non-financial performance including emergency response times, numbers of fires and their severity can be found on our website at Performance Report 2016/17

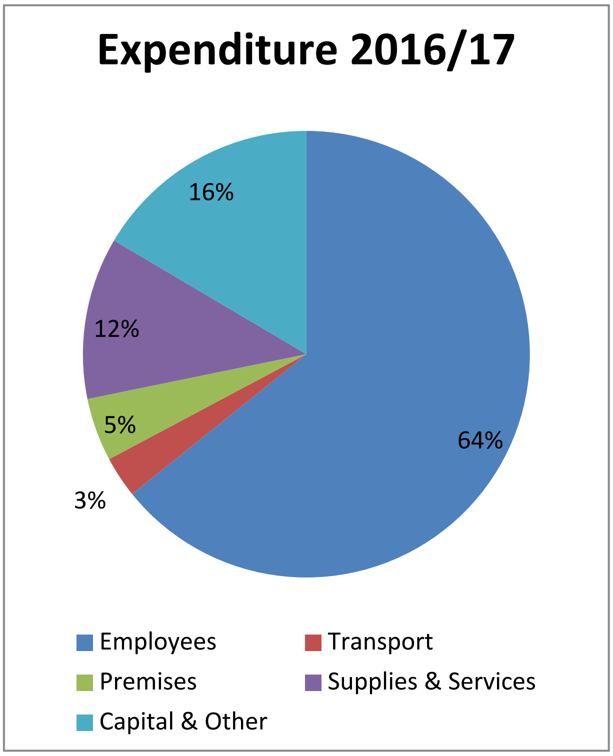
The 2016/17 Financial Overview

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 fell by £1.9m. The Authority had to identify efficiencies of £2.5m in order to offset financial pressures in order to deliver an acceptable budget. This resulted in a gross revenue budget of £55.6m, a reduction of 2%. This resulted in a council tax of £65.50, an increase of 1%, which is just under £1.26 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.

Actual net expenditure for the year was £55.4m. 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	38,997	38,035	(962)
Other employee related costs	107	147	40
Premises	3,040	2,719	(321)
Transport	1,944	1,770	(174)
Supplies & services	7,525	6,965	(560)
Capital financing costs & other	8,104	9,808	1,703
Total Expenditure	59,717	59,443	(274)
Income	(4,094)	(4,079)	14
Budget requirement	55,624	55,364	(260)
Funded by:			
Council tax	(27,565)	(27,565)	(0)
Business rates	(14,840)	(14,840)	(0)
Government grant	(13,219)	(13,219)	0
	(55,624)	(55,624)	(0)
Net Overspend	-	(260)	(260)

The Authority maintained its process of targeting reductions in expenditure, in order to enhance its financial position to deal with on-going funding reductions, generating savings of £4.0m in year against an anticipated target of £2.5m. The net revenue position shows a large underspend on pay, as a result of staffing vacancies being held throughout the year pending the removal of one wholetime appliance at Lancaster in October. 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 £2.3m into the Capital Funding Reserve to reduce future pressures against the capital programme.

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 18.

	£m
Revenue Budget Position	(0.067)
Transfer from earmarked reserves – Earmarked and DFM transfers	(0.193)
Accounting for pensions under IAS19 (see Movement in Reserves Statement, page 19)	10.908
Various other adjustments not affecting council tax	3.877
Removal of transfers (to)/from earmarked reserves	(4.244)
Surplus on the provision of services (see Comprehensive Income and Expenditure Statement, page 18)	10.281
Surplus on revaluation of non-current assets	(9.871)
Actuarial loss on pensions assets and liabilities	114.465
Total Comprehensive Income And Expenditure (see Comprehensive Income and Expenditure Statement, page 18)	114.875

The Authority has increased the general fund balance by £0.3m to £10.4m, 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 anticipated 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 2017/18 budget, shows approx. £7m of reserves being used by March 2021 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £7.5m of earmarked revenue reserves and £18.1m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £5.6m and £2.6m respectively by the end of 2019/20.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £3.5m, as set out below:-

Capital Budget	Spend 1617 £m
Vehicles	
Pumping Appliances – stage payments for 5 Pumping Appliances from the 2016/17 capital programme	0.4
Operational Support Vehicles – purchase of various support vehicles, such as vans and cars	0.1
Operational Equipment Purchase of various innovations in firefighting equipment, including and Unmanned Aerial Vehicle (UAV or Drone), flood suits for all operational staff, and stabilisation struts for use on rescues from collapsed/damaged property or vehicles involved in RTC's	0.3
Buildings	
Training Centre site works, including work relating to on site training props and initial stage payments for the replacement water main	0.3
Refurbishment of Carnforth Fire Station	0.3
Purchase and initial stage payments on the refurbishment of the property adjacent to Lancaster Fire Station, in order to make way for the new joint Fire/Ambulance Station project	2.0
ICT Purchase of a replacement Community Fire Risk Management Information System	0.1
Total	3.5

The service was previously successful in bidding for £2.4m of capital grant, provided by the government, in order to deliver longer term efficiency savings. This is contributing to the cost of redeveloping Lancaster Fire Station in order to provide a joint Fire and Ambulance Station.

The Balance Sheet shows that the Authorities Total Net Liabilities increasing to £687m. However this reflects the Authorities compliance with International Accounting 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 £797m is extremely large. If this liability was excluded the Authorities Total Net Assets would have increased to £110m.

Long term assets have increased in value to £98.5m, reflecting the expenditure incurred in year and the net outcome of revaluations.

Long term borrowing has reduced to £5.2m, 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 £0.03m additional voluntary MRP payment.

Future Financial Plans

The Government's continued 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 2017/18 Local Government Finance Settlements identified a reduction of £2.3m 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 £1.6m of savings in 2017/18. Overall these changes result in a revenue budget of £53.9m, a reduction of 3.0%. Based on this the Authority was able to freeze council tax at £65.50.

As part of the Local Government Finance Settlement for 2016/17 the Secretary of State announced an offer of four year funding settlements for local authorities in return for publishing an efficiency plan. The Authority was successful in applying for this.

Based on the four year indicative settlement funding for the period 2016-17 to 2019/20 will fall by 19%, or £5.5m. We will continue to deliver a further £0.2m of savings during 2018/19 and 2019/20 (£4.3m over the four year settlement). Despite this we will still be faced with a funding gap of up to £2.4m 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 £23m 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 2017/18 although any building works are unlikely to start until the early part of 2018/19.

We have also identified investment in two Training Assets on service delivery locations, in order to maximise the efficiency and consistency of staff training, in particular Retained Duty System staff, which will be scoped prior to the start of any procurement exercise.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes continued funding for new equipment arising from the research and development project, as well as the replacement of our thermal imaging cameras, Breathing Apparatus sets and telemetry, our cutting/extrication equipment, defibrillators and light portable pumps 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;
- Increase in costs associated with national projects eg ESMCP (Emergency Services Mobile Communications Project);
- Slowdown in “leaver rates” resulting in increasing staff numbers;
- Increased cost of partnership arrangements;
- Inadequacy of insurance arrangements;

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 2016/17 (the Code). The Code includes the following changes:

- Changes to the format of the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the introduction of the Expenditure and Funding Analysis, and subsequent removal of the former segmental reporting note
- Changes to the format of the Pension Fund Account and Net Assets Statement

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 an updated 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. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective 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 2017 and up to the date of approval of the 2016/17 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 (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 was approved this year and can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated-Risk-Management-Plan.pdf

- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan covering 2017/18 was approved this year and can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Annual-Service-Plan-2017-18.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;

- 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 framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;

- 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 Integrated Risk Management Plan has been updated and agreed, covering the five year period 2017-2022.

- A revised Annual Service Plan has been agreed for 2017/18, providing clarity, both internally and externally, on our 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.

- Business Continuity arrangements have been updated and tested.

- A new Code of Corporate Governance has been agreed, based CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

- A revised code of conduct has been implemented.

- A framework has been developed to review potential partnership arrangements utilising the following criteria: Will it make Lancashire Safer?
    - Will undertaking the activity potentially damage our brand?
    - Does it fit with the public image of the FRS?
    - Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?
    - Is there a significant negative financial impact?
    - Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?

- An Operational Assurance Team has been implemented, providing a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, thus enhancing operational preparedness, operational response and operational learning.

- A revised performance appraisal system, incorporating values, has been implemented for all staff

- 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 2016/17 audit plan the auditors undertook various reviews and gave the overall opinion that they can "*provide substantial assurance over the framework of governance, risk management and control for 2016/17"* and *"that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority 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 2015/16:
    - Financial statements – "*We gave an unqualified opinion on the Authority's financial statements*"
    - Value for money conclusion – "*We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year*"

Last year's Annual Governance Statement identified a number of areas for improvement, and progress against these are set out below:-

Area for Improvement	Action to date	Completed/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	Information Management Strategy and a number of underpinning policies agreed. A road map of work to be undertaken has been produced based around 3 key themes which set the direction of travel for the Service. • Governance • Quality • Delivery A number of projects have been commenced and remain in progress, such as: • Governance: data protection & governance, partnership data management and privacy impact assessment • Quality: records management, information archive, CFRMIS data matching. • Delivery: SharePoint 2016, self-service GIS and active directory	On-going	Head of Service Development
Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations	Work has started considering future requirements, which includes a review of current terms of reference for Committees. Standing Orders, Scheme of Delegation and Financial Regulations are all reviewed on a regular basis to ensure they remain fit for purpose.	On-going	Clerk
Review partnership engagement and opportunities	A framework has been developed to review potential partnership arrangements utilising the following criteria: • Will it make Lancashire Safer? • Will undertaking the activity potentially damage our brand? • Does it fit with the public image of the FRS? • Will it detract from our ability to undertake other operational or preventative functions, if so to what extent? • Is there a significant negative financial impact? • Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc)? In terms of specific work streams previously reported the following update is provided:- • Safe and Well visits – identified 6 key areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes. A pilot commenced Dec 2nd 2016 involving operational crews and Community Safety Advisors across the county. Initial feedback from both staff delivering and recipients within local communities is positive. Developing an automated referral process and evaluating the model (with the support of the NFCC) are currently key work streams. • Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services. Development through the CFOA Strategic Health Group opens up access to the Exeter Data set (a live database of all GP patient registrations across Lancashire and South	On-going	Head of Service Delivery

	Cumbria.) and Information Sharing Agreements developed with Unitary Authorities, are viewed as key enablers in improving outcomes for vulnerable people. • Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan. The implementation of a revised Domiciliary Care contract, commissioned via Lancashire County Council, and how LFRS continue to strengthen the working relationships (specifically in terms of the provision of training) with those care providers meeting the contract specification, being a significant work-stream for 2017/18. • Volunteer work stream is embedded with the use of volunteers in delivering Fire Cadets.		
Develop a more flexible way of ensuring the delivery of our business continuity arrangements	A new process has been agreed. All departments have completed Business Impact Assessments and Recovery Plans. The Strategic Business Continuity Plan has been updated.	Completed	Head of Service Development
Deliver services digitally to the public using web technology	The new website and digital delivery of the home fire safety check service has been embedded. The site now incorporates an on-line recruitment platform which digitises the process of applying for a role at LFRS. This will be further extended during the year. The Service has further invested in a community engagement platform "in the Know" which is used to warn and inform the public of risks and emergencies	Completed	Head of Corporate Comms
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. Review of staff recognition and development of staff sounding boards was undertaken and is currently on hold pending recruitment of additional resources.	On-going	Head of Corporate Comms
Introduce a formal coaching and mentoring programme	Coaching & mentoring training rolled out to Supervisory Managers and now forms part of the ILM L3 Supervisory Management Development Programme Managers in development have mentors appointed Coaching skills Service Order & Associated Training complete to allow all managers to utilise coaching skills.	Completed	Head of Training and Operational Review
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 from incidents and improve operational performance	An Operational Assurance Team (OAT) has been implemented following a re-structuring of Service Delivery Manager roles on Areas. The Team is based at STC alongside our Training Managers. This will optimise Operational Preparedness, Operational Response, and Operational Learning by reporting findings from Station Visits, Incident Monitoring and Debriefs to a new Operational Assurance Group. The new methodology will meet recent national guidance and will also include a clear information flow in and out of National and Multi-Agency Learning. A draft Operational Assurance Framework service order has been completed, focusing on 3 key areas of • operational preparedness • operational response • operational learning. A programme of service wide station assurance visits is underway to identify areas for improvement and track these through to completion. Incident ground monitoring by a competent group of flexi duty officers is in place as are arrangements to strengthen learning	Completed	Head of Service Delivery & Head of Training and Operational Review

	from local and national incidents.		
Review our appraisal system to better align individual tasking with organisational priorities and values	Revised Performance appraisal incorporating values updated and implemented	Completed	Head of Human Resources
Review progress against the Equality and Diversity National framework	Equality and diversity policy implemented. Focus has been the establishment of Equality Objectives, development of Equality and Diversity annual report to demonstrate progress against the public sector equality duty.	Completed	Head of Human Resources

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 following new areas for improvement, and outstanding recommendations from last year's statement, are listed below:

- The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.
- Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations
- Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary
- Implement revised staff induction programme
- Implement Leadership Conference
- Complete review of staff recognition

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 DeMolfetta, Chairman, Lancashire Combined Fire Authority
28 June 2017

C Kenny, Chief Fire Officer, Lancashire Fire and Rescue Service
28 June 2017

K Mattinson CPFA, Treasurer, Lancashire Combined Fire Authority
28 June 2017

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 2017.

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 DeMolfetta
Treasurer to the Combined Fire Authority	Chair of Resources Committee
28 June 2017	28 June 2017

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Notes		2016/17			2015/16 Restated		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	Continuing operations:	£000	£000	£000	£000	£000	£000
1&2	Service Delivery	24,594	(1,819)	22,775	28,479	(1,874)	26,605
1&2	Strategy and Planning	7,021	(403)	6,618	5,488	(299)	5,189
1&2	People and Development	1,123	-	1,123	1,022	-	1,022
1&2	Corporate Services	3,219	(57)	3,162	3,622	(62)	3,561
1&2	Fire-fighters Pensions	1,232	(4)	1,228	1,158	(2)	1,156
1&2	Overheads	8,749	(1,796)	6,953	6,609	(2,181)	4,429
1&2	Net Cost of Services	45,938	(4,079)	41,859	46,379	(4,417)	41,963
	Loss on disposal of non current assets			-			11
	Financing & investment income & expenditure						
9	Interest payable and similar charges			1,674			1,704
16	Pensions interest cost and expected return on pensions assets			23,275			22,019
9	Interest receivable and similar Income			(304)			(367)
	Taxation and non-specific grant income						
	Council tax			(27,800)			(27,184)
	Revenue Support Grant			(13,218)			(15,210)
	Non-domestic rates redistribution			(14,756)			(13,739)
	Capital grant income			-			(3,002)
	Business rates S31 grant			(447)			(480)
	Deficit/(Surplus) on the provision of services			10,281			5,714
	(Surplus)/Deficit on revaluation of non-current assets			(9,871)			(7,021)
19	Actuarial (gains)/losses on pensions assets and liabilities			114,465			(35,461)
	Other comprehensive income & expenditure			104,594			(42,482)
	Total Comprehensive Income and Expenditure			**114,875**			**(36,768)**

MOVEMENT IN RESERVES STATEMENT 2016/17

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	Earmarked reserves	Total General Fund Balance	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	£000
Balance at 31 March 2016 carried forwards	10,186	9,518	19,704	10,284	2,479	1,501	33,968	(605,943)	(571,976)
Movement in reserves during 2016/17									
Surplus/(Deficit) on provision of services	(10,281)	-	(10,281)	-	-	-	(10,281)	-	(10,281)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(104,594)	(104,594)
Total comprehensive income and expenditure	(10,281)	-	(10,281)	-	-	-	(10,281)	(104,594)	(114,875)
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	6,209	-	6,209	-	-	-	6,209	(6,209)	-
Amortisation of intangible assets	131	-	131	-	-	-	131	(131)	-
Capital grants applied	-	-	-	-	(1,974)	-	(1,974)	1,974	-
Provision for the repayment of debt	(331)	-	(331)	-	-	-	(331)	331	-
Capital expenditure charged against General Fund Balance	(1,534)	-	(1,534)	-	-	-	(1,534)	1,534	-
Amount by which the Code and the statutory pension costs differ	10,908	-	10,908	-	-	-	10,908	(10,908)	-
Amount by which the Code and the statutory collection fund income differ	(599)	-	(599)	-	-	-	(599)	599	-
	14,785	-	14,785	-	(1,974)	-	12,811	(12,811)	-
Net increase/decrease before transfers to earmarked reserves	4,503	-	4,503	-	(1,974)	-	2,529	(117,404)	(114,875)
Transfers (to)/from earmarked reserves	10	(10)	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	(4,296)	(2,053)	(6,349)	6,349	-	-	-	-	-
Transfers (to)/from accumulated absences adjustment account	43	-	43	-	-	-	43	(43)	-
Net tfr (to)/from earmarked reserves	(4,244)	(2,063)	(6,306)	6,349	-	-	43	(43)	-
Increase/(Decrease) in the year	260	(2,063)	(1,803)	6,349	(1,974)	-	2,572	(117,447)	(114,875)
Balance at 31 March 2017 carried forwards	10,446	7,455	17,901	16,633	505	1,501	36,540	(723,390)	(686,850)

MOVEMENT IN RESERVES STATEMENT 2015/16

	General fund	Earmarked reserves	Total General Fund Balance	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	£000
Balance at 31 March 2015 carried forwards	10,664	9,238	19,902	10,605	-	1,187	31,694	(640,438)	(608,744)
Movement in reserves during 2015/16									
Surplus/(Deficit) on provision of services	(5,714)	-	(5,714)	-	-	-	(5,714)	-	(5,714)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	42,482	42,482
Total comprehensive income and expenditure	(5,714)	-	(5,714)	-	-	-	(5,714)	42,482	36,768
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	3,538	-	3,538	-	-	-	3,538	(3,538)	-
Amortisation of intangible assets	134	-	134	-	-	-	134	(134)	-
Disposal of assets	(84)	-	(84)	-	-	314	230	(230)	-
Capital grants applied	(3,002)	-	(3,002)	-	2,479	-	(523)	523	-
Provision for the repayment of debt	(485)	-	(485)	-	-	-	(485)	485	-
Capital expenditure charged against General Fund Balance	(2,850)	-	(2,850)	-	-	-	(2,850)	2,850	-
Amount by which the Code and the statutory pension costs differ	8,233	-	8,233	-	-	-	8,233	(8,233)	-
Amount by which the Code and the statutory collection fund income differ	356	-	356	-	-	-	356	(356)	-
	5,840	-	5,840	-	2,479	314	8,633	(8,633)	-
Net increase/decrease before transfers to earmarked reserves	126	-	126	-	2,479	314	2,919	33,849	36,768
Transfers (to)/from earmarked reserves	(385)	280	(105)	-	-	-	(105)	105	-
Transfers (to)/from capital funding reserve	(231)	-	(231)	(321)	-	-	(552)	552	-
Transfers (to)/from accumulated absences adjustment account	11	-	11	-	-	-	11	(11)	-
Net tfr (to)/from earmarked reserves	(605)	280	(325)	(321)	-	-	(646)	646	-
Increase/(Decrease) in the year	(478)	280	(198)	(321)	2,479	314	2,274	34,494	36,768
Balance at 31 March 2016 carried forwards	10,186	9,518	19,704	10,284	2,479	1,501	33,968	(605,943)	(571,976)

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 2017 £000	At 31 March 2016 £000
	Long Term Assets		
7	Property, Plant & Equipment	88,223	81,134
8	Intangible Assets	228	299
9	Long-Term Investments	5,000	10,000
		93,451	91,433
	Current Assets		
	Assets Held for Sale	21	-
	Inventories	206	198
9	Investments	5,000	-
10	Short Term Debtors	10,746	8,533
11	Cash & Cash Equivalents	29,061	28,562
		45,034	37,293
	Current Liabilities		
9	Short Term Borrowing	(333)	(253)
9	Other Short Term Liabilities	(335)	(271)
12	Short Term Creditors	(6,376)	(6,185)
		(7,044)	(6,709)
	Long Term Liabilities		
13	Provisions	(1,763)	(2,129)
9	Long Term Borrowing	(5,243)	(5,580)
14	Other Long Term Liabilities	(811,285)	(686,284)
		(818,291)	(693,993)
	Net Liabilities	(686,850)	(571,976)
17	Revenue Reserves	(17,901)	(19,704)
17	Capital Funding Reserve	(16,633)	(10,284)
17	Capital Grants Unapplied Account	(505)	(2,479)
17	Usable Capital Receipts Reserve	(1,501)	(1,501)
17	**Usable Reserves:**	(36,540)	(33,968)
19	Revaluation Reserve	(36,957)	(28,480)
19	Capital Adjustment Account	(36,762)	(37,868)
14,16& 19	Pension Reserve	796,969	671,596
19	Collection Fund Adjustment Account	(664)	(65)
19	Accumulated Absences Adjustment Account	804	761
19	**Unusable Reserves:**	723,390	605,944
	Total Reserves	686,850	571,976

These Financial Statements replace the unaudited financial statements authorised at the meeting of Resources Committee of 28 June.

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 2017 and its income and expenditure for the year then ended.

K Mattinson CPFA
Treasurer to the Combined Fire Authority
27 September 2017

County Councillor F DeMolfetta
Chair of the Resources Committee
27 September 2017

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		2016/17		2015/16	
		£000	£000	£000	£000
	Net (deficit)/surplus on the provision of services		(10,281)		(5,714)
24	Adjustments to net (deficit)/surplus on the provision of services for non-cash movements		14,538		13,390
	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,493		1,499
	Net cash flows from Operating Activities		**5,750**		**9,175**
	Investing activities				
7&8	Purchase of property plant and equipment & other capital spend	(3,200)		(4,279)	
25	Receipts from investing activities	119		136	
	Net cash flows from investing activities		(3,081)		(4,143)
	Financing activities				
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(308)		(318)	
	Repayment of long term borrowing	(250)		(250)	
25	Payments for financing activities	(1,612)		(1,635)	
	Net cash flows from financing activities		(2,170)		(2,203)
	Net increase/(decrease) in cash and cash equivalents		**499**		**2,829**
11	Cash and cash equivalents at the beginning of the reporting period		28,562		25,733
11	**Cash and cash equivalents at the end of the reporting period**		**29,061**		**28,562**

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Prior Period Adjustment

Expenditure on services and income relating to those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

Page 41

	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments between SERCOP classifications and internal reporting classifications* £000	As restated Comprehensive Income and Expenditure Statement 2015/16 £000	
Gross Expenditure				
SERCOP service line:				Directorate:
Community Fire Safety	5,988	(5,988)	-	-
Firefighting and Rescue Operations	39,595	(11,116)	28,479	Service Delivery
Emergency Planning	59	5,429	5,488	Strategy and Planning
-	-	1,022	1,022	People and Development
-	-	3,622	3,622	Corporate Services
-	-	1,158	1,158	Firefighters Pensions
Corporate and Democratic Core	588	6,021	6,609	Overheads
Non Distributed Costs	150	(150)	-	-
Gross Expenditure	**46,379**	-	**46,379**	
Gross Income				
SERCOP service line:				Directorate:
Community Fire Safety	(748)	748	-	-
Firefighting and Rescue Operations	(3,669)	1,795	(1,874)	Service Delivery
Emergency Planning	-	(299)	(299)	Strategy and Planning
-	-	-	-	People and Development
-	-	(62)	(62)	Corporate Services
-	-	(2)	(2)	Firefighters Pensions
Corporate and Democratic Core	-	(2,181)	(2,181)	Overheads
Non Distributed Costs	-	-	-	-
Gross Income	**(4,417)**	**-**	**(4,417)**	

	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments between SERCOP classifications and internal reporting classifications* £000	As restated Comprehensive Income and Expenditure Statement 2015/16 £000	
Net Expenditure				
SERCOP service line:				Directorate:
Community Fire Safety	5,240	(5,240)	-	-
Firefighting and Rescue Operations	35,926	(9,321)	26,605	Service Delivery
Emergency Planning	59	5,131	5,189	Strategy and Planning
-	-	1,022	1,022	People and Development
-	-	3,561	3,561	Corporate Services
-	-	1,156	1,156	Firefighters Pensions
Corporate and Democratic Core	588	3,841	4,429	Overheads
Non Distributed Costs	150	(150)	-	-
Net Expenditure	**41,963**	**-**	**41,963**	

* The adjustments between SERCOP classifications and internal reporting classifications are largely the removal of cost allocations from Corporate Services and Overheads, plus the combination of Community Fire Safety and Firefighting and Rescue Operations into Service Delivery.

2 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (ie Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 2a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (note 2a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	34,130	-	34,130	(11,354)	22,775
Strategy and Planning	7,950	-	7,950	(1,332)	6,618
People and Development	1,112	-	1,112	11	1,123
Corporate Services	3,376	-	3,376	(215)	3,162
Firefighters Pensions	1,228	-	1,228	-	1,228
Overheads	7,760	(193)	7,568	(615)	6,953
Net cost of Services	55,557	(193)	55,364	**(13,505)**	**41,859**
Other income and expenditure	(55,623)	-	(55,623)	24,046	(31,577)
Surplus on provision of services	(67)	(193)	(260)	**10,541**	**10,281**
Opening General Fund balance			(10,186)		
Less: Deficit on provision of services			(260)		
Closing General Fund balance			(10,445)		

2015/16	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 2a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (note 2a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	36,865	-	36,865	(10,259)	26,605
Strategy and Planning	6,026	-	6,026	(836)	5,189
People and Development	1,083	-	1,083	(60)	1,022
Corporate Services	3,742	-	3,742	(182)	3,561
Firefighters Pensions	1,156	-	1,156	-	1,156
Overheads	8,619	(43)	8,576	(4,148)	4,429
Net cost of Services	**57,491**	**(43)**	**57,448**	**(15,485)**	**41,963**
Other income and expenditure	(56,969)	-	(56,969)	20,721	(36,249)
Deficit on provision of services	**521**	**(43)**	**478**	**5,236**	**5,714**
Opening General Fund balance			(10,664)		
Less: Deficit on provision of services			478		
Closing General Fund balance			(10,186)		

2a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts **2016/17**	Transfer to/(from) Earmarked Reserves £000	**Total to arrive at amount charged to the General Fund £000**	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	**Total adjustment between funding and accounting basis £000**
Service Delivery	-	**-**	-	(11,368)	14	**(11,354)**
Strategy and Planning	-	**-**	-	(1,309)	(24)	**(1,332)**
People and Development	-	**-**	-	11	-	**11**
Corporate Services	-	**-**	-	(215)	-	**(215)**
Firefighters Pensions	-	**-**	-	-	-	**-**
Overheads	(193)	**(193)**	222	514	(1,350)	**(615)**
Net cost of Services	**(193)**	**(193)**	**222**	**(12,367)**	**(1,360)**	**(13,505)**
Other income and expenditure	-	**-**	-	23,275	771	**24,046**
Total	**(193)**	**(193)**	**222**	**10,908**	**(589)**	**10,541**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts **2015/16**	Transfer to/(from) Earmarked Reserves £000	**Total to arrive at amount charged to the General Fund £000**	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (note 3) £000	**Total adjustment between funding and accounting basis £000**
Service Delivery	-	**-**	-	(10,459)	200	**(10,259)**
Strategy and Planning	-	**-**	-	(605)	(232)	**(836)**
People and Development	-	**-**	-	(60)	-	**(60)**
Corporate Services	-	**-**	-	(182)	-	**(182)**
Firefighters Pensions	-	**-**	-	-	-	**-**
Overheads	(43)	**(43)**	254	(2,480)	(1,921)	**(4,148)**
Net cost of Services	**(43)**	**(43)**	**254**	**(13,786)**	**(1,953)**	**(15,485)**
Other income and expenditure	-	**-**	(2,992)	22,019	1,693	**20,721**
Total	**(43)**	**(43)**	**(2,738)**	**8,233**	**(260)**	**5,236**

Note 1 – Adjustments for capital purposes – this column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written off. MRP is deducted because it is not chargeable under generally accepted accounting practices. Adjustments are also made to recognise capital grant income.
Note 2 – Pensions Adjustments - This shows which lines have been affected by the removal of pension contributions and replaced with IAS19 debits and credits.
Note 3 – Other Differences - This column adjusts for timing differences on the amounts chargeable for Business Rates and Council Tax under Statute and the Code.

3 Fire Authority Costs

In 2016/17 Fire Authority costs amounted to £0.260m (2015/16 Restated: £0.267m), analysed as follows:

	2016/17	2015/16 Restated*
	£000	£000
Members allowances/expenses	126	124
Statutory officers	95	93
Statutory reports/publications	1	2
Subscriptions	13	11
Others	25	37
	260	267

* The 2016/17 note has been restated to remove overhead apportionment in accordance with the changes to reporting requirements on the Comprehensive Income and Expenditure Statement.

4 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,046 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2016/17	2015/16
	No.	No.
£70,000 - £74,999	1	-
£65,000 - £69,999	2	2
£60,000 - £64,999	6	6
£55,000 - £59,999	6	12
£50,000 - £54,999	31	22
	46	42

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) **2016/17**	Salary	Allowances (estimated based on 2015/16 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	155,704	1,593	157,297	33,788	191,084
Director of Service Delivery – Justin Johnston	132,349	1,793	134,141	18,926	153,067
Director of Strategy & Planning – David Russel	124,563	1,648	126,211	17,813	144,023
Director of People & Development – Robert Warren	99,651	-	99,651	12,755	112,406
Director of Corporate Services – Keith Mattinson	99,651	146	99,797	12,755	112,552
	611,917	5,180	617,097	96,037	713,133

Post holder information (post title and name) **2015/16 – 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	154,389	1,862	156,251	33,503	189,754
Director of Service Delivery – Justin Johnston	128,731	1,554	130,285	18,409	148,694
Director of Strategy & Planning – David Russel	121,280	1,717	122,996	17,343	140,339
Director of People & Development – Robert Warren	98,664	-	98,664	12,629	111,293
Director of Corporate Services – Keith Mattinson	98,664	146	98,811	12,629	111,440
	601,728	5,279	607,008	94,513	701,520

* The 2015/16 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2015/16 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:

Exit package cost band (including special payments)	2016/17 Number of departures agreed	2016/17 Total cost of exit packages in each band £000	2015/16 Number of departures agreed	2015/16 Total cost of exit packages in each band £000
£0 - £20,000	1	7	3	10
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	1	51
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£120,001 - £140,000	-	-	-	-
	1	7	4	61

5 External Auditors Fees

In 2016/17, the Fire Authority paid a total of £0.031m to its external auditors, Grant Thornton (2015/16: £0.031m), as follows:

	2016/17 £000	2015/16 £000
Audit fees – Grant Thornton	31	31

6 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 2016/17 is shown in note 4. 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 2016/17 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 (£0.468m received from the precepting authority, 2015/16: £0.465m), and council tax (£2.184m received from the precepting authority, 2015/16 £2.144m), the administration of these is strictly defined by a statutory framework.

7 Property, Plant & Equipment

Details on policies can be seen in Note 29, 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 2016/17 are:

Movement during the year	**Other Land & Buildings** £000	**PFI Assets** £000	**Vehicles, Plant & Equipment** £000	**Surplus Assets** £000	**Total Property, Plant & Equipment** £000
Cost or valuation					
At 1 April 2016	50,036	23,143	22,218	20	95,417
Additions	2,574	-	871	-	3,445
Disposals	-	-	(1,592)	-	(1,592)
Impairment losses recognised in the Revaluation Reserve	(1,792)	(383)	-	-	(2,175)
Impairment losses recognised in the Deficit on the Provision of Services	(1,058)	(178)	(238)	-	(1,474)
Reclassifications	-	-	-	(21)	(21)
Revaluations	3,496	3,028	-	1	6,525
As at 31 March 2017	53,256	25,610	21,259	-	100,125
Depreciation and impairments					
At 1 April 2016	(2,002)	(535)	(11,747)	-	(14,284)
Depreciation charge for 2016/17	(2,720)	(414)	(1,598)	-	(4,732)
Disposals	-	-	1,592	-	1,592
Revaluations	4,573	949	-	-	5,522
As at 31 March 2017	(149)	-	(11,753)	-	(11,902)
Balance sheet at 31 March 2017	53,107	25,610	9,506	-	88,223
Balance sheet at 31 March 2016	48,034	22,608	10,471	20	81,134
Nature of asset holding					
Owned	52,727	-	9,458	-	62,185
Finance lease	380	-	48	-	428
PFI	-	25,610	-	-	25,610
	53,107	25,610	9,506	-	88,223

On 31 March 2017 the Authority undertook a full revaluation review on approximately one fifth of its land and buildings, and in addition carried out a desktop revaluation exercise on the remainder, which resulted in a net revaluation gain of £8.398m (2015/16: net gain of £6.590m).

The comparative figures detailing the movement during 2015/16:

Movement during the year	Other Land & Buildings	PFI Assets	Vehicles, Plant & Equipment	Surplus Assets	Assets Held for Sale	Total Property, Plant & Equipment
	Restated	Restated				
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015	45,195	21,798	19,450	16	-	86,459
Additions	863	-	3,049	-	-	3,912
Disposals	-	-	(281)	-	(325)	(606)
Reclassifications	(325)	-	-	-	325	-
Revaluations	4,303	1,345	-	4	-	5,652
As at 31 March 2016	50,036	23,143	22,218	20	-	95,417
Depreciation and impairments						
At 1 April 2015	(1,421)	(426)	(10,548)	-	-	(12,395)
Depreciation charge for 2015/16	(1,227)	(401)	(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	1,294	292	-	-	-	1,586
As at 31 March 2016	(2,002)	(535)	(11,747)	-	-	(14,284)
Balance sheet at 31 March 2016	48,034	22,608	10,471	20	-	81,134
Balance sheet at 31 March 2015	43,774	21,372	8,902	16	-	74,064
Nature of asset holding						
Owned	47,769	-	10,387	20	-	58,176
Finance lease	380	-	84	-	-	464
PFI	-	22,608	-	-	-	22,493
	48,034	22,608	10,471	20	-	81,133

*The 2015/16 Other Land & Buildings has been restated to split out the PFI Assets into its own column.

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 2016/17 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.

	2016/17	2015/16
	£000	£000
Opening Capital Financing Requirement	15,237	15,722
Capital investment:		
Property, Plant & Equipment	3,445	3,912
Intangible assets	63	118
Sources of Finance:		
Government Grant	(1,974)	(523)
Capital Reserves	-	(552)
Earmarked Reserves	-	(105)
Revenue contributions to capital	(1,534)	(2,850)
MRP	(331)	(485)
Closing Capital Financing Requirement	14,906	15,237
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(331)	(485)
	(331)	(485)

Details of Assets Held

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

	2016/17	2015/16
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	39
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 2017 is £3.959m (2015/16: £1.453m).

8 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	2016/17 £000	2015/16 £000
Cost or valuation		
At 1 April	1,391	1,272
Additions	60	118
As at 31 March	1,451	1,391
Amortisation & impairment		
At 1 April	(1,092)	(958)
Amortisation charge for the year	(131)	(134)
As at 31 March	(1,223)	(1,092)
Balance sheet at 31 March 2017	228	299
Balance sheet at 31 March 2016	299	314

9 Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016 Restated
	£000	£000	£000	£000
Investments				
Loans and receivables	5,000	10,000	5,000	-
Debtors				
Financial assets carried at contract amounts	-	-	51	56
Borrowings				
PWLB Borrowings at amortised cost	5,243	5,580	333	253
Other Long Term Liabilities				
PFI and finance lease liabilities	14,316	14,688	335	271
Creditors				
Financial liabilities carried at amortised cost	-	-	2,639	2,229

The Financial assets 2015/16 figure has been restated as it incorrectly included fire fighter pensions debtor balances.

Income, Expense, Gains and Losses

			Financial assets: Loans and receivables	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Interest expense	1,674	1,704	-	-
Total expense in Deficit on the Provision of Services	1,674	1,704	-	-
Interest income	-	-	(304)	(367)
Total income in Deficit on the Provision of Services	-	-	(304)	(367)
Net gain/(loss) for the year	1,674	1,704	(304)	(367)

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 2017 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 value of the PFI liabilities has been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated bond yield rates.

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	5,577	7,301	5,834	6,913
Cash deposits invested and classed as loans and receivables	-	-	-	-
PFI Liabilities	14,519	15,483	14,782	14,728

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2017 is £5.514 million (2015/16: £5.764m) and it is due for repayment as shown in the following table:

	2016/17	2015/16
	£000	£000
Within one year	330	250
Within two to five years	1,184	1,264
Within six to ten years	2,000	1,920
Over 10 years	2,000	2,330
	5,514	5,764

10 Debtors

	2016/17	2015/16
	£000	£000
Central government bodies	202	226
Other local authorities	3,918	4,285
Public corporations	241	330
Other entities and individuals	6,385	3,692
	10,745	8,533

11 Cash & Cash Equivalents

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

	2016/17	2015/16
	£000	£000
Cash held by the Authority	46	46
Call account balance	29,015	28,516
	29,061	28,562

The call account balance is placed with Lancashire Country Council. Interest on these balances is paid to the Authority. The investments have an amortised cost at 31 March 2017 equal to their nominal value.

12 Creditors

	2016/17	2015/16
	£000	£000
Central government bodies	1,066	865
Other local authorities	2,571	3,108
Other entities and individuals	2,739	2,212
	6,376	6,185

13 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	1,147	1,156	22	25	960	720	2,129	1,901
Amounts utilised	(20)	(37)	(1)	(3)	-	-	(21)	(40)
Unused amounts reversed	(347)	(371)	-	-	(347)	-	(694)	(371)
Additional provision	349	399	-	-	-	240	349	639
Balance at 31 March	1,129	1,147	21	22	613	960	1,763	2,129

14 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2016/17	2015/16
	£000	£000
Finance Lease Liability	10	89
PFI Liability (see note 15)	14,231	14,519
PFI Contractor Loan (see note 15)	75	80
Pension Liability (see note 16)	796,969	671,596
	811,285	686,284

15 PFI Schemes

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

PFF Lancashire Limited

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 Limited 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 Limited 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 2017 the outstanding loan was £0.080m (2015/16: £0.085m).

Balfour Beatty Fire and Rescue NW Limited

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 Limited 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 Limited 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 7.

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 2017 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	658	288	1,397	2,343	1,734
Payable within 2-5 years	2,816	1,436	5,386	9,639	6,935
Payable within 6-10 years	3,980	2,650	6,056	12,687	8,668
Payable within 11-15 years	4,566	4,285	4,485	13,336	8,668
Payable within 16-20 years	3,651	4,531	2,412	10,595	6,719
Payable within 21-25 years	982	1,328	246	2,555	1,617
Total	16,653	14,519	19,983	51,154	34,340

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:

	2016/17 £000	2015/16 £000
Balance outstanding at the start of the year	14,782	15,024
Payments during the year	(263)	(242)
Balance outstanding at year end	14,519	14,782

16 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	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	951	1,080	8,450	10,504
• Administrative expenses	22	17	-	-
• Past service cost	-	60	450	-
	973	1,157	8,900	10,504
Financing and Investment Income and Expenditure:				
• Interest cost	1,761	1,650	23,100	21,657
• Interest on scheme assets	(1,586)	(1,288)	-	-
	175	362	23,100	21,657
Total post employment benefit charged to the deficit on provision of services	**1,148**	**1,519**	**32,000**	**32,161**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	2,535	(3,640)	111,930	(31,821)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**3,683**	**(2,121)**	**143,930**	**340**
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(2,873)	6,164	(122,500)	21,064
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(810)	(4,043)		-
Retirement benefits payable to pensioners	-	-	(21,430)	(21,404)
	-	-	-	-

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 £15.827m (2015/16: £14.223m) 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 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Opening balance at 1 April	(49,267)	(50,503)	(666,356)	(687,420)
Current service cost	(951)	(1,080)	(8,450)	(10,504)
Interest on liabilities	(1,761)	(1,650)	(23,100)	(21,657)
Contributions by scheme participants	(292)	(276)	(2,880)	(3,562)
Remeasurements (liabilities):				
Experience (gain)/loss	3,930	-	22,650	-
Gain/(Loss) on financial assumptions	(13,275)	3,046	(144,600)	31,821
Gain/(Loss) on demographic assumptions	368	-	10,020	-
Benefits/transfers paid	1,024	1,256	24,310	24,966
Past service cost	-	(60)	(450)	-
Closing balance at 31 March	(60,224)	(49,267)	(788,856)	(666,356)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Opening balance at 1 April	44,027	39,099	-	-
Interest on scheme assets	1,586	1,288	-	-
Remeasurements (assets)	6,442	594	-	-
Administrative expenses	(22)	(17)	-	-
Employer contributions	810	4,043	21,430	21,404
Contributions by scheme participants	292	276	2,880	3,562
Benefits paid	(1,024)	(1,256)	(24,310)	(24,966)
Closing balance at 31 March	52,111	44,027	-	-

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 £8.558m (2015/16: gain of £1.883m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2017 is a gain of £0.278m (2015/16: cumulative gain of £0.163m).

Scheme history

	2016/17	2015/16	2014/15	2013/14	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(60,224)	(49,267)	(50,503)	(41,224)	(46,193)
Firefighters Pension Scheme	(788,856)	(666,356)	(687,420)	(595,539)	(596,655)
Fair value of assets in LGPS	52,111	44,027	39,099	33,135	32,097
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(8,113)	(5,240)	(11,404)	(8,089)	(14,096)
Firefighters Pension Scheme	(788,856)	(666,356)	(687,420)	(595,539)	(596,655)
Total	(796,969)	(671,596)	(698,824)	(603,628)	(610,751)

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, £796.969m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £686.850m (2015/16: £571.976m). However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- Any surplus/deficit on the Local Government Pensions scheme will be recovered by annual repayments from/to the fund, as assessed by the scheme actuary, throughout the agreed surplus recovery period. Although the year end deficit above shows an £8m deficit, the latest actuarial valuation was actually a surplus of £4.3m as at 31 March 2016, which is being recovered by annual receipts of £0.3m from the pension fund.
- 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*	Firefighters' Pension Scheme	Total
	£000	£000	£000
Estimated contributions	644	3,934	4,578

*LGPS contributions shown are gross of the surplus recovery referred above.

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.

The Firefighters' Scheme has been assessed by GAD (the Government Actuarial Department), an independent firm of actuaries. 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 Local Government Fund liabilities have been assessed by Mercer Resource Consulting Limited, an independent firm of actuaries. Estimates for the LGPS are based on a 'roll forward approach' which updates the last full valuation as at 31 March 2016, 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 2017	31 March 2016	31 March 2017	31 March 2016
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.6	23.0	22.4	23.2
Women	25.2	25.6	22.4	25.8
Longevity at 65 for future pensioners:				
Men	24.9	25.2	24.7	25.7
Women	27.9	27.9	24.7	28.2
Rate of CPI inflation	2.30%	2.00%	2.35%	2.00%
Rate of increase in salaries	3.80%	3.50%	4.35%	3.50%
Rate of increase in pensions	2.30%	2.00%	2.35%	2.00%
Rate for discounting scheme liabilities	2.5%	3.60%	2.65%	3.50%
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 2017		Assets at 31 March 2016	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	-	-	15,132	34.4
Bonds	Y	1,887	3.6	1,782	4.0
Property	N	4,591	8.8	4,232	9.6
Cash/Liquidity	N	541	1.0	1,514	3.4
Other	N	45,092	86.6	21,367	48.6
		52,111	100.0	44,027	100.0

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2017:

Local Government Pensions Scheme (LGPS):	2016/17	2015/16	2014/15	2013/14	2012/13 Restated
	%	%	%	%	%
Experience Gains and losses on assets	12.4	1.3	6.9	(2.0)	8.9
Gains and losses on liabilities	14.9	(6.2)	14.9	(18.5)	11.8

Firefighters Pension Scheme:	2016/17	2015/16	2014/15	2013/14	2012/13 Restated
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	14.4	(4.8)	11.0	(3.3)	10.1

Total of LGPS and Fire Pension Schemes:	2016/17	2015/16	2014/15	2013/14	2012/13 Restated
	%	%	%	%	%
Experience Gains and losses on assets	12.4	1.3	6.9	(2.0)	8.9
Gains and losses on liabilities	14.4	(4.9)	11.2	(4.2)	10.2

17 Usable Reserves

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

	2016/17		2015/16	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(10,445)		(10,186)
DFM Schemes	(426)		(414)	
Other Earmarked Reserves	(3,493)		(5,664)	
PFI Equalisation	(3,537)		(3,440)	
Total Earmarked Reserves		(7,456)		(9,518)
Total Revenue Reserves		(17,901)		(19,704)
Capital Reserves:				
Capital Funding Reserve		(16,633)		(10,284)
Capital Grants Unapplied		(505)		(2,479)
Usable Capital Receipts		(1,501)		(1,501)
Total Usable Reserves		(36,540)		(33,968)

18 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.15	Transfers in 2015/16	Transfers out 2015/16	Balance at 31.3.16	Transfers in 2016/17	Transfers out 2016/17	Balance at 31.3.17
General fund	(10,664)	-	478	(10,186)	(260)	-	(10,445)
DFM Schemes	(457)	(11)	54	(414)	(71)	59	426
Other Earmarked Reserves	(5,488)	(1,286)	1,110	(5,664)	(178)	2,349	(3,493)
PFI Equalisation Accounts	(3,293)	(147)	-	(3,440)	(125)	28	(3,537)
Total Earmarked Reserves	(9,238)	(1,444)	1,164	(9,518)	(374)	2,436	(7,456)
Capital funding reserve	(10,605)	(232)	553	(10,284)	(6,349)	-	(16,633)
Capital grants unapplied	-	(2,479)	-	(2,479)	-	1,974	(505)
Usable capital receipts	(1,187)	(314)	-	(1,501)	-	-	(1,501)
Total Usable Reserves	(31,694)	(4,469)	2,195	(33,968)	(6,983)	4,410	(36,540)

19 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:

	2016/17 £000	2015/16 £000
Revaluation Reserve	(36,957)	(28,480)
Capital Adjustment Account	(36,762)	(37,868)
Pensions Reserve	796,969	671,596
Collection Fund Adjustment Account	(664)	(65)
Accumulated Absences Adjustment Account	804	761
Total Unusable Reserves	723,390	605,944

Revaluation Reserve

	2016/17 £000	2015/16 £000
Balance at 1 April	(28,480)	(22,356)
Upward revaluation of assets	(12,047)	(7,238)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	2,175	122
Difference between fair value depreciation and historical cost depreciation	1,395	897
Amount written off to the Capital Adjustment Account	-	95
	(36,957)	(28,480)

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.

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		(37,868)		(36,358)
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	3,337		2,210	
• Revaluation losses on Property, Plant & Equipment	1,477		431	
• Amortisation of intangible assets	132		134	
		4,945		2,775
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		4,945		3,005
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	(1,974)		(523)	
• Statutory provision for financing of capital investment charged against General Fund	(303)		(323)	
• Voluntary provision for financing of capital investment charged against General Fund	(28)		(162)	
• Use of capital reserves to fund expenditure	-		(552)	
• Use of earmarked reserves to fund expenditure	-		(105)	
• Capital expenditure charged to General Fund Balance	(1,534)		(2,850)	
		(3,839)		(4,515)
Balance as at 31 March		(36,762)		(37,868)

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	671,596	698,824
Actuarial (gains) or losses on pensions assets and liabilities	114,465	(35,461)
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	23,787	22,096
Employers pension contributions and direct payments to pensioners payable in the year	(12,789)	(13,863)
	796,969	671,596

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(792)	(682)	727	260	(65)	(422)
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	58	(110)	-	-	58	(110)
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	-	-	(657)	467	(657)	467
Balance at 31 March	(734)	(792)	70	727	(664)	(65)

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	761	750
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	43	11
Balance at 31 March	804	761

20 Contingent Liability

Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited (MMI) 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 Transitional protection arrangements

In July 2015, the Fire Brigades Union (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. This challenge was not upheld by the Employment Tribunal, however the FBU lodged an appeal which is being progressed. Although there is presently no indication that this appeal will be successful, the Firefighters Pension Scheme would meet any additional costs, rather than them being an additional cost to the Authority.

21 Post Balance Sheet Events

As at the date the Treasurer signed the accounts, 28 June 2017, there were no post balance sheet events to report.

22 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 £0.029m of the £0.069m 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 £0.021m and which is considered sufficient for this purpose.

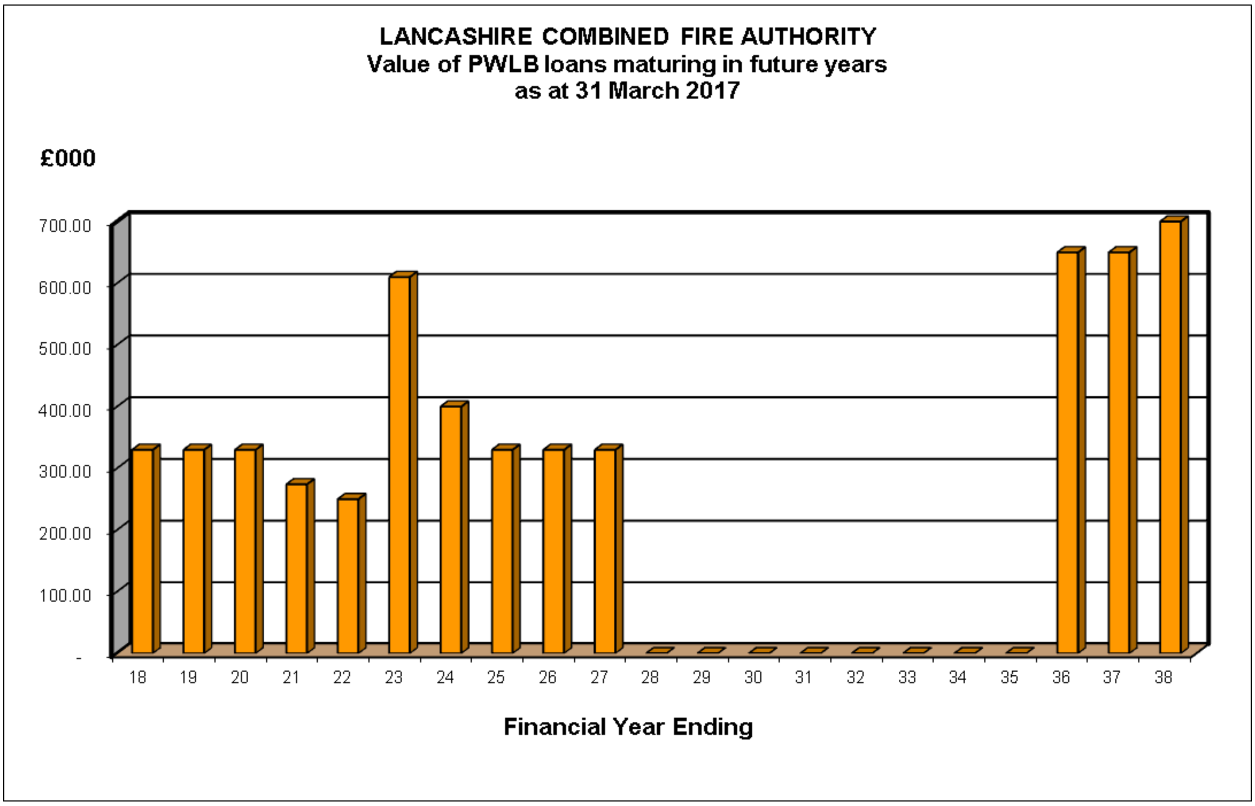
The past due amount can be analysed by age as follows:

	2016/17 £000	2015/16 £000
0 to 30 days	40	48
31 to 60 days	4	4
61 to 90 days	2	2
91 to 180 days	13	10
Over 180 days	10	16
	69	80

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 £32.4 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 £324,000 and a 1% fall would give a reduction of the same amount.

23 Local Authority Controlled Company – NW FireControl Limited

NW FireControl 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 FireControl Limited. 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. From 8th May 2017 Greater Manchester Fire and Rescue Service transferred into the Greater Manchester Combined Authority and the ownership of NW FireControl Limited therefore also transfers.

A detailed assessment for Group Accounting requirements has taken place during 2016/17 in respect of NW FireControl Limited. 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 2016/17 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 FireControl Limited
- 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 FireControl Limited:

Key Information	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Total assets less Current Liabilities	263	239
Net assets*	(2,831)	(822)
(Loss)/Profits Before Taxation	(99)	(240)
(Loss) After Taxation	(105)	(246)
Debtor Balance (LFRS)	287	278
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,093	1,050
Invoices raised by LFRS to NW FireControl	-	34

*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 2017/18 are included in the above figures.

Transactions between LFRS and NW FireControl Limited include Invoices Raised by NW FireControl to LFRS for the Control Room service and use of facilities in the building.

Invoices raised by LFRS to NW FireControl Limited include charges for staff seconded to NW FireControl.

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2017 for the final audited 2016/17 accounts.

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

	2016/17	2015/16
	£000	£000
Depreciation	4,732	3,107
Impairment & downwards valuations	1,477	431
Amortisation	131	134
Increase/(decrease) in provisions	(366)	228
Increase/(decrease) in creditors	(122)	391
(Increase)/decrease in debtors	(2,213)	507
(Increase)/decrease in stock	(9)	34
Movement in pension liability	10,908	8,233
Net book value of fixed assets sold	-	325
	14,538	13,390

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

	2016/17	2015/16
	£000	£000
Interest received	119	136
Interest paid	(1,612)	(1,635)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy note 29, sections p and r)

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 2017 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 £2.4m.
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. Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to each scheme.	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 £15.2m • Inflation rate – increase of £14.7m • Pay growth – increase of £1.6m A 1 year increase in life expectancy will increase the net pension liability by £5.5m.

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

27 Accounting Standards issued but not yet adopted

For 2016/17 the following accounting policy changes that need to be reported relate to:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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

28 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 Limited – 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 2016/17 accounts.

29 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 – 2016/17, 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 2016/17, the actuary based the valuation on a roll forwards approach.

Top up grant received during the year from the Home Office 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 2016/17, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2016/17, 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 its 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 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 2017, 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 surplus 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.

k 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.

l Capital Receipts

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

m 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.

n 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.

o 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).

p Operating Leases

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

q 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 and Rescue NW Limited 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 15.

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.

r 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 Limited. The contract relates to the provision and maintenance by PFF Lancashire Limited 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 and Rescue NW Limited. 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.

s 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 13 to the Balance Sheet.

t 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.

u 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.

v 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.

w 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 21 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.

FIRE FIGHTERS PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

Fund Account	2016/17 Total £000	2015/16 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(3,790)	(4,086)
- other contributions	(247)	(186)
- Members contributions	(2,946)	(3,594)
Transfers in:		
- Individual transfers from other schemes	(44)	(17)
Total Income to the Fund	**(7,027)**	**(7,883)**
Spending by the fund		
Benefits payable:		
- Pension payments	17,915	17,492
- Commutations of pensions and lump-sum retirement benefits	4,937	6,634
Transfers out:		
- Individual transfers out to other schemes	-	197
- Refunds of contributions	447	-
Total Spending by the fund	**23,299**	**24,323**
Net amount receivable for the year before top up grant receivable from central government	**16,272**	**16,440**
Top up grant receivable from central government	(16,272)	(16,440)
Net amount receivable for the year	**-**	**-**

Net Assets Statement	2016/17 £000	2015/16 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(4,321)	(3,377)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	4,321	3,377
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 2017 the Authority is owed £4.321m (2015/16: £3.377m) by the Home Office 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 16 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 29 – accounting policies, in particular section f.

<u>Contribution Rates</u>

Under the firefighters pension regulations the contribution rates during 2016/17 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. Three ill health retirements were recognised during 2016/17, and one in 2015/16.

<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>Home Office 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 Home Office, 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, however details of the firefighters pension fund long term pension obligations are recognised in the Authorities financial statements, details can be found in note 16.

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.

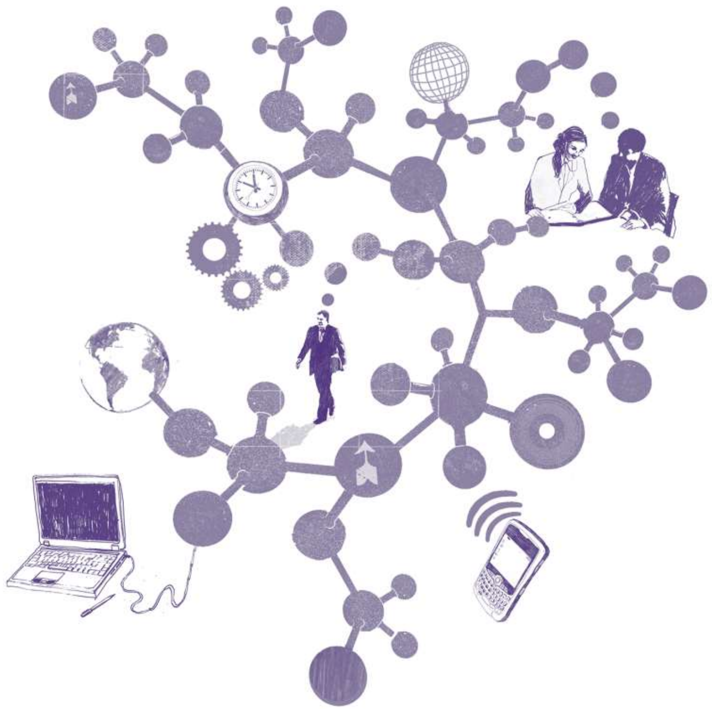
Revenue Expenditure
The day-to-day expenditure of the Authority, which is charged to the Comprehensive Income & Expenditure Statement, comprising mainly salaries and wages, running costs, and financing charges.

Appendix 2

The Audit Findings
for Lancashire Combined Fire Authority

Year ended 31 March 2017

September 2017



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28 September 2017

Dear Members of the Audit Committee

Audit Findings for Lancashire Combined Fire Authority for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Lancashire Combined Fire Authority, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Karen Murray

Engagement lead

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Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	20
4. Fees, non-audit services and independence	23
5. Communication of audit matters	25

Appendix

A Audit opinion

Page 89

Section 1: Executive summary

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Lancashire Combined Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Authority acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017..

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

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Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Authority's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £41,859k at the net cost of services. We have also agreed a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- The accounts were prepared to a high quality and were supported by comprehensive working papers

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Authority's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

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The way forward

Matters arising from the financial statements audit and our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Corporate Services

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2017

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Section 2: Audit findings

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £ 928k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £46.4k. This remains the same as reported in our audit plan

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
Disclosure of related party transactions in the notes to the financial statements	Due to public interest in these disclosures.	£20k (Individual misstatements will also be evaluated with reference to how material they are to the other party).

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lancashire Combined Fire Authority, we have determined the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have • reviewed your entity level controls • reviewed your journal entry processes and selected unusual journal entries for testing back to supporting documentation • reviewed accounting estimates, judgements and decisions made by management	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment The Authority revalues its assets on a rolling basis over a five year period. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from the current value. Management have undertaken a desktop valuation of those assets not revalued in the year. This represents a significant estimate by management in the financial statements.	We have undertaken the following work in relation to this risk: • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Confirmed the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested a sample of revaluations made during the year to ensure they were input correctly into the Authority's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves these were not materially different to current value.	Our audit work has not identified any significant issues in relation to the risk identified.
Valuation of pension net liability The Authority's pension net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.	We have undertaken the following work in relation to this risk: • Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and were sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out the pension valuation. • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any significant issues in relation to the risk identified.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Authority's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls were operating in line with our documented understanding • undertaken a trend analysis and risk identification for monthly payroll costs to confirm no unusual transactions • reviewed the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Non-pay expenditure represents a significant percentage of the Authority's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were operating in line with our documented understanding • Reviewed managements processes to raise accruals and to ensure the accruals recognised are materially complete • Tested a sample of creditor balances and accruals recognised in the year end balance sheet • Tested cash payments made after the year end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Fire Pensions Benefits Payable	Benefits improperly computed / Claims liability understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • compared the total pensioner payroll with comparative figures and rationalised by reference to the changes to the expected value (e.g. pension increases, new pensioners, deaths). • Substantively tested a sample of pension benefit payments made in the year.	Our audit work has not identified any significant issues in relation to the risk identified.
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

	Significant matter	Commentary
1.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.	We have raised the accounting treatment by the Authority of its 25 per cent share in North West Fire Control (NWFC), a joint operation. Whilst a note explaining the consideration of the arrangement is included within the Authority's accounts, its share of income and expenditure, assets and liabilities are excluded on the basis of not being material. IFRS 11 requires all income, expenditure, assets and liabilities to be included. We discussed with management the arrangements and the related accounting treatment of Lancashire Combined Fire Authority's share (25%) of North West Fire Control's balances. We are satisfied that management has demonstrated that it is appropriate to treat this arrangement as a joint operation. For joint operations, IFRS 11 requires a reporting authority that is a joint operator to recognise in relation to its joint interest in a joint operation, all: • its assets, including its share of any assets held jointly; • its liabilities, including its share of any liabilities incurred jointly; • its revenue from the sale of its share of the output arising from the joint operation; • its share of the revenue from the sale of the output by the joint operations; and • its expenses, including its share of any expenses incurred jointly. Management has determined that Lancashire Fire Authority's share of NWFC assets, liabilities and operating revenues and expenses are not material for 2016/17. The Authority has therefore not made any accounting adjustments for its share of NWFC's balances, above those processed as part of day-to-day transactions with NWFC through its income and expenditure account. We have reviewed the Authority's share of NWFC balances on a line by line basis and confirmed that after intra-group balances have been deducted, the Authority's share is not material. Although this is consistent with previous years, there is a need for the Authority to comply with accounting standards including International Financial Reporting Standards in preparing its accounts irrespective of materiality. We recommend the Authority incorporate all its share of NWFC into its accounts commencing 2017/18.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. • 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.	• The Authority's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts. • Our testing of income and debtors confirmed the Authority is recognising income in line with its accounting policy.	●
Judgements and estimates	• Key estimates and judgements include: – Useful life of PPE and classification of fire premises as specialised or non-specialised – Revaluation and Impairments – Accruals – Valuation of pension fund net liability – Other provisions	We have: • reviewed the estimates and judgements made in the accounts as part of our work with no matters arising. • reviewed the process by which management have used an external expert to provide a valuation of the Authority's property assets • sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts. • reviewed the calculation of your insurance provision and reviewed the basis for your provision for business rate appeals to confirm the judgements made by management are reasonable and consistent with prior years.	●

Assessment
● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

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Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Corporate Services (s151 officer) has a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	●
Other accounting policies	The Authority has reviewed the standard CIPFA accounting policies and adopted them as appropriate to its statement of accounts.	We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.	●

Page 102

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. • We have not been made aware of any other incidents in the period. • No other issues have been identified during the course of our audit procedures
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Authority
5.	**Confirmation requests from third parties**	• We requested from management permission to send a confirmation requests to your bank. This permission was granted and the request was sent. • The request was returned with positive confirmation.
6.	**Disclosures**	• Our review found no material omissions in the financial statements. • Management have included some minor amendments and improvements to the statement of accounts.

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Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Authority acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Authority does not exceed the threshold.

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Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	5,000	Long term investments	An investment which matured within four months of the balance sheet date of 31 March 2017 had been included as a long term investment on the balance sheet. As the investment matures in less than 12 months from the balance sheet date it has been reclassified as a short term investment.
	Misclassification	£293	Council tax and business rates	The split between the council tax and business rates included in the statement of comprehensive income and expenditure was incorrect with Council tax originally shown as £293k lower than actual and business rates as £293k higher. This was a classification issue only and has had no impact on the total council tax and business rates income.
3	Disclosure	n/a	Note 4	The note was originally incorrect owing to an error in the working paper. This has been amended in the revised accounts.

Section 3: Value for Money

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, including fire authorities, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2017 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We communicated this to you in our Audit Plan dated 30 March 2017.

We have continued our review of relevant documents up to the date of giving our report. We have not identified any further significant risks where we need to perform further work.

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Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the identifying whether there were any significant risks to our VfM conclusion that we identified in the Authority's arrangements. We reported to you in our audit plan that we had identified no risks at that stage.

We ensured that we updated our review of your arrangements to ensure that there were no additional risks identified. Our work included reviewing key documents and discussing issues with your officers.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

06. Communication of audit matters

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We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Authority audit	£30,739	£30,739
Total audit fees (excluding VAT)	**£30,739**	**£30,739**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Page 110

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- No non-audit or audit related services have been undertaken for the Authority

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendix

A. Draft Audit Opinion

B: Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

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

We have audited the financial statements of Lancashire Combined Fire Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

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Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of its resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Karen Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

September 2017

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

FINANCIAL MONITORING 2017/18
(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 2017/18 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is requested to:

- note the financial position;
- endorse the contract variation approved for Lancaster Fire Station rebuild.

Information

Revenue Budget

The overall position as at the end of July shows an underspend of £0.2m. We are monitoring any trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Resources Committee. In terms of the year end forecast it is still early in the year, however the latest forecast shows an overall underspend of approx. £0.8m.

The year to date and forecast outturn positions within individual departments are set out in Appendix 1, with major variances relating to non-pay spends and variances on the pay budget being shown separately in the table below: -

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	44	(20)	The overspend for the year to date relates to various headings, such as uniforms, training props for stations, and furniture, which are timing related and are expected to even out as the year progresses. The outturn underspend reflects all of the above, in addition to continued reduced spend on smoke detectors and fire safety consumables.

Property	63	86	The overspend position relates to premises repairs and maintenance, which is expected to continue for the remainder of the year.
Wholetime Pay	(202)	(579)	The year to date position reflects: • the number of wholetime recruits taking part in the June course is lower than budgeted, 32 compared with a budgeted 36 • in addition vacancies to date are higher than forecast due to the early leaver profile. • pension costs are lower than forecast as the number of personnel who are no longer on the FF pension schemes stands at 25, in addition staff continue to transfer from the 92 scheme to the 2015 scheme resulting in a reduction in employer pension contributions. • the annual pay award has not yet been agreed, which would have been effective from 1 July, this results in an underspend of approximately £24k at the end of July. • With the balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays. The majority of the forecast underspend is attributable to the shortfall in whole-time recruit numbers. As reported at the last Committee meeting the budget was set based on populating 2 recruits courses with 60 recruits in total whereas the actual number of recruits will total 49. It is also worth noting that the forecast outturn includes an assumed 1% pay-award, but as Members will be aware the Union and Employers Side have been unable to reach an agreement at the present time.
RDS Pay	(37)	(104)	The forecast underspend on RDS pay arises as implementation of the revised pay scheme was delayed until June, pending its approval by the Fire Brigades Union regional council.

Associate Trainers	39	125	The annual training plan is used to match planned training activity to staff available at the training centre. Where this is not possible, associate trainers are brought in to cover the shortfall. The reintroduction of wholetime courses this year will lead to an increased use of there, hence the forecast overspend.
Support staff (less agency staff)	(81)	(241)	The underspend to date relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. The majority of these vacancies have now been filled, although ICT and Knowledge Management remain problem areas. As highlighted at June's Committee meeting the budget included a sum of £180k to allow for the recruitment of apprentices in the second half of the year. This recruitment has been delayed whilst an appropriate mechanism is identified, meaning that it is unlikely that the allocation will be utilised in year. The previous report proposed that any underspend on this budget should be carried forward as an earmarked reserve to meet on-going costs in future years, hence as part of the year end process the eventual underspend will be transferred to earmarked reserves.

As the grey book pay award has not yet been agreed, the current forecast outturn underspend of £0.8m is calculated based on a 1% pay award. It is worth noting that each 1% pay award in excess of this equates to an additional cost of approx. £250k.

Capital Budget

The Capital Programme for 2017/18 stands at £13.533m. 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 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. We currently anticipate that these appliances will be delivered in early 2018. In addition, the budget allows for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August. Spend to date relates to completion of the 2016/17 appliances, and the first stage payment of the 2017/18 appliances. As such we anticipate all of this budget being utilised by year end.

Other vehicles	This budget allows for the replacement of various operational support vehicles, the most significant of which are one of the Command Support Units and two Driver Training Vehicles. Requirements for these are currently being finalised with a view to undertaking a procurement exercise. However given requirements are still being finalised and taking account of anticipated lead times the final costs associated with the purchase of these will slip over into 2018/19.
Operational Equipment/Future Firefighting	This budget allows for the replacement of Thermal Imaging Cameras (TICs), for which the tender process is underway. The budget allows for the balance of the Future Fire Fighting equipment budget, the majority of which relates to the purchase of the technical rescue jackets, following the regional procurement exercise, which will be delivered by the end of the financial year. The replacement of Breathing Apparatus Radios will slip into 2018/19, as options are being reviewed including the potential to undertake a regional procurement process.
Building Modifications	Completion of the new joint Fire & Ambulance facility at Lancaster is scheduled for the last quarter of the current financial year. Contract variations of £41k have been agreed in respect of time delays due to the discharge of planning conditions, and upgrading the appliance bay doors. In terms of the redevelopment of Preston Fire and Ambulance Station we completed the purchase of the additional land, as agreed by the Committee, in June. However progress on agreeing the details of the development with NWAS have been slow, although they have now confirmed their agreement to the scheme meaning that we are now able to make progress on appointing consultants to take the project forward to detailed design and ultimately construction. This means that no building works will take place in the current financial year; hence the majority of capital budget will slip into the next financial year. The budget also allows for the outstanding sums due in respect of the replacement water main at STC and the completion of the Multi Compartment Fire Fighting prop, both of which have now been completed. The replacement Fleet workshop has been on hold pending further discussion with Police relating to a joint facility. However our requirements, which relate to an equipment maintenance facility, and Polices which relate to a vehicle maintenance facility, do not align, nor is the location deemed suitable for a vehicle maintenance facility. As such we will now progress this scheme, working up a detailed design prior to undertaking a tendering exercise. Whilst some costs may be incurred in the current year, the

	majority of this will slip into 2018/19. The final element of this capital budget relates to investment in training assets at both STC and service delivery locations to maximise the efficiency and consistency of staff training, and in particular RDS staff. The exact requirements remain subject to review, and a further update on progress will be presented to the Committee once requirements have been finalised. However given the timeframes in finalising requirements, designing and tendering a scheme it is highly unlikely that any significant costs will be incurred in the current year
IT systems	The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. We are due to receive an update in November however it appears increasingly unlikely that we will incur significant costs in the current year. Given the delay on the ESMCP project the replacement station end project has also been delayed, however we are currently reviewing options to enhance resilience and ensure that any solution is compatible with the eventual ESMCP solution. As such we may incur some expenditure on this, but it is unlikely to be the full budgeted amount, £400k. The budget also allows for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service. The delivery of this is currently scheduled for the last quarter of the current financial year, when our existing contract expires. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work is on-going to facilitate the replacement of some of these systems in the current year, we are still reviewing the need to replace others. Hence further updates on progress will confirm which replacements are being actioned in the current year and anticipated spend profiles.

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.

Delivery against savings targets

The following table sets out the efficiencies identified during the budget setting process, hence removed from the 2017/18 budget, and performance to date against this target: -

	Annual Target	Target at end of July	Savings at end of July
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	0.420	0.717
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.074	0.102
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.072	0.008
Reduction in Fleet repairs and maintenance and fuel budgets	0.066	0.022	-
Reduction in insurance Aggregate Stop Loss	0.050	0.017	0.017
Reduction in capital financing charges	0.040	0.013	0.013
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.045
Balance – cash limiting previously underspent non pay budgets	0.180	0.060	0.060
Total	1.550	0.677	0.954

The performance to date is ahead of target, a combination of the underspend on salaries for the first four 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:		

APPENDIX 1

BUDGET MONITORING STATEMENT JUL 2017	Total Budget	Budgeted Spend to Jul 2017	Actual Spend to Jul 2017	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	30,778	10,572	10,422	(150)	(193)	44	(20)
Prince's Trust Volunteers Scheme	-	188	180	(8)	-	(8)	(3)
Training & Operational Review	3,420	1,290	1,264	(26)	(26)	0	(3)
Control	1,148	574	574	(0)	-	(0)	(0)
Special Projects	12	4	(4)	(8)	0	(9)	(6)
Strategy & Planning							
Service Development	3,770	1,302	1,275	(27)	(18)	(10)	(14)
Fleet & Technical Services	2,292	1,047	1,082	34	4	30	70
Information Technology	2,371	787	734	(53)	(47)	(6)	(5)
People & Development							
Human Resources	730	168	152	(15)	(16)	0	0
Occupational Health Unit	199	52	51	(1)	4	(6)	(10)
Corporate Communications	294	97	66	(31)	(14)	(17)	(41)
Safety Health & Environment	205	72	58	(14)	(1)	(13)	(14)
Corporate Services							
Executive Board	978	346	357	12	12	(0)	(3)
Central Admin Office	742	244	261	17	16	1	3
Finance	142	47	47	0	1	(0)	(1)
Procurement	790	254	242	(12)	(10)	(3)	(22)
Property	1,271	468	519	50	(12)	63	86
External Funding	-	(21)	(20)	1	2	(1)	(2)
Pay							(865)
TOTAL DFM EXPENDITURE	49,143	17,492	17,258	(233)	(298)	65	(849)
Non DFM Expenditure							
Pensions Expenditure	1,172	551	518	(32)	-	(32)	(44)
Other Non-DFM Expenditure	3,618	856	883	26	1	25	90
NON-DFM EXPENDITURE	4,791	1,407	1,401	(6)	1	(7)	46
TOTAL BUDGET	53,933	18,899	18,660	(239)	(297)	58	(804)

APPENDIX 2

CAPITAL BUDGET 2017/18	Original Programme	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date	Year End Forecast	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles									
Pumping Appliance	1.195	1.728	0.790	0.783	(0.007)	1.728	-	1.728	(0.000)
Other Vehicles	0.464	0.901	0.191	0.158	(0.033)	0.330	(0.557)	0.887	(0.014)
	1.659	2.629	0.981	0.941	(0.039)	2.058	(0.557)	2.615	(0.014)
Operational Equipment									
Operational Equipment	0.420	1.112	0.020	0.020	0.000	0.645	(0.467)	1.112	-
	0.420	1.112	0.020	0.020	0.000	0.645	(0.467)	1.112	-
Buildings Modifications									
STC Redevelopment	-	0.793	0.160	0.158	(0.002)	0.250	(0.543)	0.793	-
Lancaster Replacement	-	2.119	0.645	0.642	(0.003)	1.900	(0.219)	2.119	-
Other works	4.750	4.900	0.150	0.151	0.001	0.151	(4.749)	4.900	-
	4.750	7.812	0.955	0.951	(0.004)	2.301	(5.511)	7.812	-
ICT									
IT Systems	1.350	1.980	0.067	(0.003)	(0.069)	(0.003)	(1.983)	1.980	-
	1.350	1.980	0.067	(0.003)	(0.069)	(0.003)	(1.983)	1.980	-
Total Capital Requirement	**8.179**	**13.533**	**2.022**	**1.910**	**(0.113)**	**5.001**	**(8.518)**	**13.519**	**(0.014)**
Funding									
Capital Grant	0.800	1.466	0.466	0.466	-	1.466	-	1.466	-
Revenue Contributions	2.000	2.000	1.556	1.444	(0.113)	2.000	-	2.000	-
Earmarked Reserves	0.049	0.249	-	-	-	-	(0.249)	0.249	-
General reserves	2.600	2.600	-	-	-	1.535	(1.065)	2.600	-
Capital Reserves	2.730	7.218	-	-	-	-	(7.204)	7.204	(0.014)
Total Capital Funding	**8.179**	**13.533**	**2.022**	**1.910**	**(0.113)**	**5.001**	**(8.518)**	**13.519**	**(0.014)**

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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

WORKFORCE PLAN
(Appendix 1 refers)

Contact for further information:
Bob Warren – Tel No. 01772 866804

Executive Summary

The Workforce Plan details the workforce profile, explains the challenges, the potential changes the Service faces in relation to workforce issues and the measures which will be taken to meet those challenges.

Recommendation

To note the Workforce Plan.

Information

1. Purpose of the Workforce Plan

The Lancashire Fire and Rescue Workforce Plan is not a rigid narrow plan for forecasting targets, but rather a plan which contextualises the changes the Service anticipates may affect the workforce and how the Service intends to respond. The objective of the plan is simply to ensure that the organisation has:

- The right number of people with the right skills employed in the right place, at the right time to deliver the short and long term objectives of LFRS.
- The right people are in the right roles considering the experience, skills and qualifications required for the role.
- A better understanding about what sort of workforce is likely to be needed in the future.
- The right resources are allocated to work areas to fulfil the demands for the service now and in the future.
- A diverse workforce is recruited and developed which can meet the differing needs of the communities of Lancashire.

For workforce planning purposes the data collected relates to a position in time as at 31.3.2017 and considers information available in terms of the profile of our workforce, recruitment, retention, labour demand and turnover.

2. Workforce Profile

The majority of staff at Lancashire Fire and Rescue Service are white, male and are employed within the wholetime uniformed service. A substantial number are also retained members of staff. There has been a slight increase in the number of BME staff and a slight increase in the number of women employed. Within the wholetime service the majority of staff employed are aged 45-49 years with a substantial number aged 50-55 years and 40-44 years. The youngest element of the workforce is RDS, where the largest number of employees are aged less than 34. Within Support Services a significant proportion of staff are also aged 50-55 years of age.

3. Absence

The CIPD 2016 Absence Management survey, reports nationally that absence levels have decreased compared to last year, from an average of 6.9 days per employee to an average of 6.3 days per employee, however these absence rates vary from sector to sector. The projected public sector average is 9.3 days. LFRS has followed the national trend with a reduction in absence over the last 12 months, with the total number of days lost per employee reducing from 8.8 days per employee to 7.7 days per employee. The most common reasons for absence in the public sector are stress, musculoskeletal injuries and mental ill health. The main reasons for absence within LFRS are musculoskeletal, hospital procedure (for a condition or injury) and mental ill health (which includes stress).

4. Turnover

The median voluntary resignation rate in the UK is 14.1% and for the public sector is 14.7%[1], this compares to 8% within the wholetime Service, and 12% within business support services, when comparing the total number of leavers to the number of business support posts. RDS is the highest level of turn over at 14% which creates a continual recruitment challenge. However, turnover does give LFRS the opportunity to increase the diversity of the workforce in term of background of experience, knowledge and skill set. Due to the current age profile, it is anticipated that there will be a loss of a number of Crew, Watch and Station Managers. Forty six firefighters will also potentially retire and therefore the need for suitably skilled firefighters will increase. Turnover in all ranks will reduce after 2020. Recruitment will continue to 2021 to address the turnover.

5. Workforce Challenges

5.1 Retained

Retained Fire Fighters are recruited through three campaigns a year, running an RDS campaign is distinct from wholetime due to candidates having to live or work within 5 minutes of the Station. Recruiting and retaining to the RDS remains difficult, some areas have an ageing population and we know the retained duty system appeals to the younger age group, other areas are remote and the population is sparse and widely dispersed across the locality. There is therefore a constant requirement to recruit staff to the RDS. During 2017/2018, the Service established seven Retained Support Officers, an element of their role will be to supplement service delivery's capacity to promote recruitment to the RDS to local business, communities and at events.

[1] CIPD turnover rates 2016

5.2 Diversity

Wholetime firefighter recruitment took place in June 2016 (internal campaign restricted to RDS) and in March 2017 (external campaign following positive action). There were no recruitment challenges in terms of attracting applicants. However there were challenges in relation to the attraction and appointment of candidates from a diverse background. There are currently no diversity targets, however the Fire and Rescue Service Equality and Diversity Strategy 2008-2018 developed by the Department of Communities and Local Government did indicate that each Fire and Rescue Authority should consider a minimum of 15 percent of new entrants to the operational sector to be women and recruitment of minority ethnic staff across the whole organisation to be the same percentage as the minority ethnic representation in the local working population. The Service has commenced a range of positive action activities, measures and publicity aimed at attracting a diversity of applications to apply to the wholetime service in relation to the next recruitment campaign planned for October 2017.

5.3 Leadership

There are challenges in delivering a flexible service in an environment of change and effective leadership is seen key in meeting these challenges. In addition, there are anticipated a high turnover of staff at Station, Watch and Crew Manager. The Service has recognised this and is investing in the development of its leaders within operational and Support Services. This October, the Service will hold its second Leadership Conference, which creates an opportunity for the leaders from within the Service to come together to share the direction of travel in terms of being positive and ambitious and to also develop skills and competence in terms of leading teams. This approach is considered in more detail within the Service Organisational Development plan.

5.4 Collaboration

The Service continues to explore opportunities to work in a collaborative way with the Police via the Lancashire Constabulary Partnership Development, the Local Authority Strategic Partnership Development and other partners. Whilst recognising that the changing National context on the position of collaboration could impact on its industrial relations environment. Increased collaboration also creates a need for a broader range of skills and the Service recognises that its firefighters of the future will need well developed communication skills and must be able to respond to our diverse community in a range of different circumstances. The Service also acknowledges that its line managers will need excellent people management skills to ensure that staff are supported through any change, ensuring they are engaged in the change process and fear and uncertainty is addressed.

Business Risk

To ensure that leaders of the future are able to respond in a positive and development way there is a need to invest in organisational development to deliver leadership capacity; these issues are identified more fully and responded to within the Service organisational development plan.

Environmental Impact

The report has no environmental impact.

Equality & Diversity Implications

To recognise, understand and respond to the needs of all communities the Service needs to consider how it recruits, develops and retains a workforce which better reflects the diversity of the local community.

HR Implications

No Human Resources implications arising from the report.

Financial Implications

No financial implications arising directly from the report.

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

Paper	Date	Contact
Reason for inclusion in Part 2, if appropriate:		

APPENDIX 1

Lancashire Fire and Rescue Workforce Plan 2017 - 2020

Lancashire Fire and Rescue Service Workforce Plan

1. Background and context of the Workforce Plan

Making Lancashire safer is our commitment to making sure that everything we do improves the safety of our diverse communities. This is more extensive than simply responding to fires and other emergencies. We use our skills, experience and resources to make people safer in much broader terms across life's stages: helping people to start safe; live safe; age safe and be safe on our roads.

Lancashire Fire and Rescue Service (LFRS) is committed to its purpose of "making Lancashire safer" and it has developed the following priorities to support this intention:

- Preventing fires and other emergencies from happening.
- Protecting people and property when fires happen.
- Responding to fire and other emergencies quickly and competently.
- Valuing our people so they can focus on making Lancashire safer.
- Delivering value for money in how to use our resources.

LFRS values how we STRIVE to achieve our purpose of "making Lancashire safer" by making sure what we do is guided by strong principles of:

➢ Service: Making Lancashire safer is the most important thing we do and we work in a diligent and competent way.
➢ Trust: We trust the people we work with and we contribute to a positive workplace.
➢ Respect: We demonstrate consideration of others and we recognise how our behaviour may impact on others.
➢ Integrity: We do what we say we will do and we work in a professional, positive non-judgmental way.
➢ Value: We actively listen and recognise the contribution of others whatever their role, background, ideas, view or approach.
➢ Empowerment: We are encouraged to contribute to decision making, to resolve problems and we are accountable for our decisions, cations and behaviours.

In light of the changing environment in which we operate and the need for a workforce that is equipped to support these changes; we are focused on the development of a strong organisational culture based on clear values and leadership.

Our annual priorities as detailed in our Annual Service Plan 2017 and the Service's Integrated Risk Management Plan 2017-2022 explains LFRS vision in terms of how we will achieve our mission of "making Lancashire safer". The Workforce Plan is part of the suite of Human Resources plans in addition to the Organisational Development Plan and the Equality, Diversity and Inclusion Annual Report which explain the interventions which will take place to support the achievement of LFRS mission and values. It flows from the overarching strategic plans of LFRS and links people management into the operational business process.

The data collated for 2016, relates to the position at 31.12.2016 and for 2017, as at 31.3.2017 and represents a single point in time. The plan considers available information 2017 - 2020 and the following:

- The workforce challenges LFRS will face over the period of the plan.
- The profile of our workforce.
- Labour demand, turnover and supply forecasting.
- Recruitment and retention.
- Succession planning and talent management.
- Job Design and multiskilling.

2. Objectives

Simply, the objectives of the Workforce Plan are to ensure that we have

- The right number of people with the right skills employed in the right place, at the right time to deliver the short and long term objectives of LFRS.[1]
- The right people are in the right roles considering the experience, skills and qualifications required for the role.
- A better understanding about what sort of workforce is likely to be needed in the future.
- The right resources are allocated to work areas to fulfil the demands for the service now and in the future.
- We develop a diverse workforce which can meet the differing needs of the communities of Lancashire.

This workforce plan has been developed by a consideration of the political, economic, sociological, technological, legal and environmental influences affecting LFRS.

The workforce plan is not a rigid narrow plan for forecasting targets, but rather a plan which contextualises the changes we anticipate may affect our workforce and how we intend to respond.

3. Lancashire Fire and Rescue Service

The Lancashire Combined Fire Authority is responsible for LFRS. Lancashire comprises 12 Districts within the Lancashire County Council area and two Unitary Authorities of Blackburn with Darwen and Blackpool. It employs in the region of 1240 FTE employees in a variety of roles including operational fire fighters, administrators, fire safety, business support and managerial staff, 82% of the service is employed as firefighters[2]. The Service has 39 Stations and adopts a number of different shift systems , 17 stations are now purely retained fire crews, with 9 stations employing wholetime staff and 13 stations employing a mixture of retained and wholetime staff.

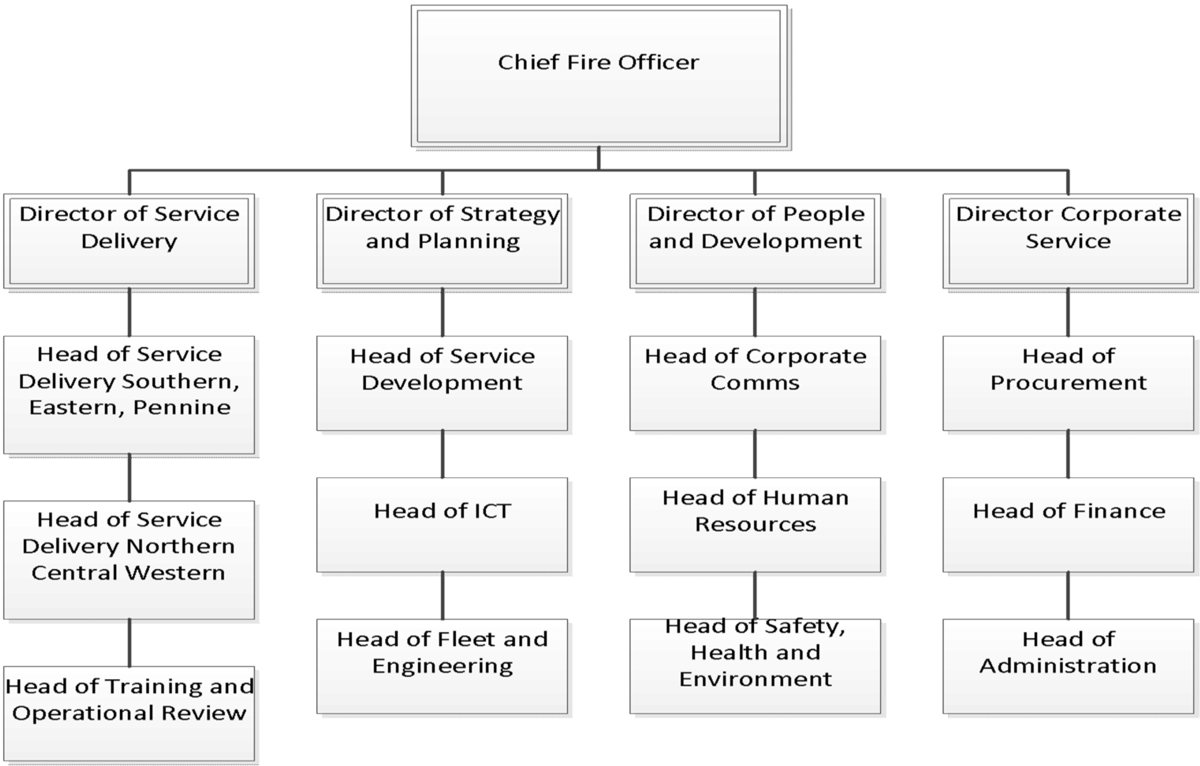
It covers just over 3,000 square kilometres, with a resident population of 1.45 million. Our diverse communities that make up our County vary in age, ethnicity and religion. The largest ethnic group in the County identify themselves as being White, whilst the black minority ethnic group form 10% of the population with Asian/Asian British making up 8% of this group. The 2011 census identified Christianity as the most popular religion with 6.6%

[1] CIPD

[2] This figure is based on officers in receipt of flexi duty, operational firefighters and RDS as at December 2015.

identified as Muslim, with Blackburn with Darwen having the third highest Muslim population across the 358 authorities within England and Wales. Future population predictions show that the growth rates are different in different Districts, but the number of people aged 65 plus will increase.

4. Organisational Structure   Leadership Team



5. Qualifications and Experience of our workforce

LFRS prides itself in the delivery of a multi skilled workforce and has an extensive training facility at Chorley. The approach to organisational development is detailed within the organisational development plan. However the complexity of the training required to progress through LFRS, requires due consideration from a workforce planning perspective due to the timescales involved.

5.1 Apprenticeships

Enterprise Act 2016 Section 24 of Part 4 imposes a duty on all public bodies, which are set an apprenticeship target, to have a regard to the target. LFRS will be in scope for the target on the basis that we employ over 250 employees as at 31 March 2017.

The duty to have regard to the target is based on a minimum average headcount of 2.3%, this equates to on average to 29 apprentices.

The Apprenticeship Levy was implemented with effect from 6 April 2017; the new funding arrangements for apprentices came into effect on 1 May 2017. All apprenticeships which commenced before 1 May 2017 will be funded according to the existing rules, including any employer contribution towards training continuing at the current rate. The levy will apply to all large public sector and private sector employers in the UK and employers will pay 0.5% of each months pay bill to HMRC via PAYE process alongside tax and NICs. Based on the current pay bill for 2017/2018 this equates to £200,000 for LFRS.

Pending the development of the firefighter trailblazer, LFRS has committed to all new entry vacancies up to scale 4 or below within business support being considered for an apprentice. During 2016, this resulted in the recruitment of four apprentices. During 2017, LFRS has joined with partners from other Services in the development of the trailblazer for community fire safety. Further to the launch of the new firefighter trailblazer in October 2017, LFRS will explore how this can be delivered during 2017/2018.

6. Total Workforce profile as at 31st March 2017

The majority of our staff are white and male and work within the wholetime uniformed service. A substantial number are also retained members of staff.

6.1. Workforce Headcount LFRS

Total No.of staff	White British	BME	Male	Female	Disability	Ave Age
1242	1205	37	1065	177	18	42
%	97%	3%	86%	14%	1%	

Since 2016 there has been a reduction in the total number of staff we employ from 1245 to 1242 and the number of BME staff we employ has increased from 34 to 37, the number of women we employ has increased from 161 to 177 and there has been an increase in the number of disabled people we employ from 14 to 18.

Staff Category	Number of staff	FTE in contracted hours worked
Wholetime	610	610
RDS	407	248[3]
Control	2	2
Service Delivery (CFS)	53	51
Business Support Staff (Incl Princes Trust)	170	141
TOTAL	1242	1051

Since 2016 there has been a reduction in the FTE wholetime staff from 635 to 610, an increase in retained from 402 to 407 and an increase in business support staff from 164 to 170.

[3] Total number of retained hours divided by 120

There has been an overall reduction in the number of staff employed from 1245 to 1242. However, it is anticipated that the number of staff employed will increase due to the decision to commence wholetime recruitment.

6.2 Prevention and Protection

6.2 (i) Community Fire Safety Green Book roles

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
53[4]	48	5	29	24	0	46

The number of staff in green book fire safety roles has increased from 42 to 53

6.2 (ii) Fire Safety Practitioners Grey Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
35	35	0	34	1	0	48

The number of grey book fire safety roles has reduced from 41 to 35

6.2 (iii) Princes Trust Programme Support Green Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
17	16	1	5	12	1	42

The number of Princes Trust staff has increased from 14 to 17

6.3. **Response Grey Book Operational staff including resilience and specialist capability**

6.3 (i) Wholetime (including DC and DCP duty roles)

Total No.of staff Headcount	Role	White British	BME	Male	Female	Disability	Ave Age
539	All	530	9	511	28	9	45
	Strategic[5]	16	0	16	0	0	46
	First Line Supervisors[6]	72	0	67	5	0	46

[4] Fire Safety Inspectors, Practitioners, Prevention Support Officer, Prevention Support Manager
[5] CFO, DCFO, ACFO, Area and Group Managers
[6] Station and Operational Watch Managers

6.3 (ii) Retained Duty System

Total No.of RDS staff	Role	White British	BME	Male	Female	Disability	Ave Age
407	All	392	15	381	26	7	37
	First Line Supervisors[7]	128	4	131	1	1	43
	FF	264	11	250	25	6	34

RDS is the most diverse group of staff in terms of underrepresented groups, which can be attributed to an area where there is turnover and regular recruitment of staff.

6.3 (iii) Female Firefighter workforce

Crewing System	Rank	Age Under 34	Age 35-39	Age 40-44	Age 45-49	Age 50-55	Age 56-60	Age 61+
224	FF	6	6	*	*	*		
	CM	*						
	WM	*	*					
DC	FF							
	CM							
	WM							
DCP	FF	*						
	CM	*						
	WM							
Day Duty	CM							
	WM			*				
FDO	SM			*		*		
RDS	FF	17	*	*	*			
	CM				*			
	WM							
TOTAL		27	12	6	7	*		

We employ a total of 54 women within our firefighter workforce through all ranks which is an increase from 49 since last year.

* Numbers less than 5 and therefore identifiable

6.4 Business Support staff

6.4 (i) Business Support Staff Green Book excluding Princes Trust

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
153	148	5	69	84	1	47

[7] Crew and watch Managers

Within Business Support staff there has been a small increase in numbers of staff from 150 to 153 and a small increase in staff who are women or BME.

6.4 (ii) Support Staff Grey Book (Including TOR, Control, Day Duty staff - refers to terms of employment)

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
38	36	2	36	2	0	43

Within Grey Book Support staff there has been an increase in numbers of staff employed from 30 to 38.

7. <u>Turnover Profile Headcount</u>

During 2017, the following numbers of staff left the Service due to a number of reasons including retirement, dismissal, and termination of contract (including temporary contracts and fixed term contracts or voluntary resignation). The median voluntary resignation rate in the UK is 14.1% and for the public sector is 14.7%[8], this compares to 8% within wholetime, and 12% within support services, RDS is the highest level of turn over at 14% when considering the number of staff who have left compared to the number retained in that particular grouping.

Staff Category	Male	Female	Total	Ethnic Minority	Disabled	% of females	% of bme
Wholetime	47	0	47	1	1	0.00	2.1
RDS	54	4	58	3	1	6.9	5.2
Control	0	0	0	0	0	0.00	0.00
Service Delivery (CFS)	4	3	7	1	0	42.8	14.3
Support Staff	10	11	21	1	0	52.4	4.8
TOTAL	**115**	**18**	**133**	**6**	**2**		

8. <u>Age Profile Headcount</u>

Within the wholetime service the majority of staff are aged 45-49 years with a substantial number aged 50-55 years and 40-44 years. The youngest element of the workforce is RDS, where the largest number of employees is aged less than 34 years of age. Within business support services a significant proportion of staff are aged 50-55 years of age.

Staff Category	Age Under 34	Age 35-39	Age 40-44	Age 45-49	Age 50-55	Age 56-60	Age 61+

[8] CIPD turnover rates 2016

Wholetime	75	55	113	206	149	12	0
RDS	197	54	46	51	44	10	5
Control	0	0	0	2	0	0	0
Service Delivery (CFS)	8	11	5	8	9	7	5
Support Staff	30	17	16	23	52	19	13
TOTAL	310	137	180	290	254	48	23

9. <u>Sickness Rates related to age of staff 1.4.2016 to 31.3. 2017 based on headcount</u>

The CIPD 2016 Absence Management survey, reports nationally that absence levels have decreased compared to last year, from an average of 6.9 days per employee to an average of 6.3 days per employee, however these absence rates vary from sector to sector. Public Sector organisations remain the highest in absence rates, only seeing a small decrease and typically public sector employees have over 3 days more absence each year on average compared to the private sector.

LFRS has followed this trend with the reduction in absence over the last 12 months, with the total number of days lost per employee reducing from 8.8 days per employee to 7.7 days per employee. Although this remains higher than the national average of 6.3 days[9], we are below the projected public sector average of 9.3 days (based on public sector having on average 3 days more absence than private sector organisation).

The highest number of days lost due to sickness within the wholetime firefighting workforce is aged 45-49 years of age and 50-55 years of age, the highest number of days lost due to sickness within RDS is aged under 34 years of age, the highest number of days lost in non-uniformed staff is those aged 50-55 years. This is the same as last year.

The most common reasons for absence in the public sector- stress, is musculoskeletal injuries and mental ill health. The main reasons for absence within LFRS are musculoskeletal, hospital procedure (for a condition or injury) and mental ill health (which includes stress)

The number of calendar days (based on full calendar days) lost due to sickness in one year per age group is as follows:

Staff Category	Age	Age	Age	Age	Age	Age	Age
	Under 34	35-39	40-44	45-49	50-55	56-60	61+
Wholetime	175	686	765	1974	1344	166	0
RDS	1077	728	696	464	395	103	116

[9] CIPD Absence Survey Report 2016

Non Uniformed Staff	87	92	181	85	299	231	18
TOTAL	1339	1506	1642	2523	2038	500	134

10. Retirement Profile based on Headcount of Fire fighting staff [10]

Grey Book Staff:

1992 Pension Scheme: Firefighters potentially can retire at 50 years at age with 25 years' service; evidence suggests most retire with 30 years. Transitional arrangements are in place over the next 8 years and some protections apply to staff. It is anticipated that a number of operational staff will choose to retire over the next four years.
2015 Scheme: Firefighters can retire from 60 years of age and from age 55 with reductions.

Potential Retirement over the next 4 years

Numbers of posts	2017/18	2018/19	2019/20	Total
Group Mgrs	0	0	2	2
Station Managers	4	4	2	10
Watch Manager A and B	8	6	4	18
Crew Managers	5	4	2	11
Whole Time FF	17	16	13	46
Grand Total	34	30	23	87

This potentially represents a loss of 87 operational posts over the next 4 years.

In addition there is a potential reduction in posts due to operational staff leaving for other reasons than retirement, (last year on average there were 7 leavers due to resignation/dismissal, 2 leavers due to ill health and 7 early retirements) and a loss of people from operations due the creation of additional posts within the service to undertake other tasks or projects.

10.1 Establishment and Operational Strength – Appendix A

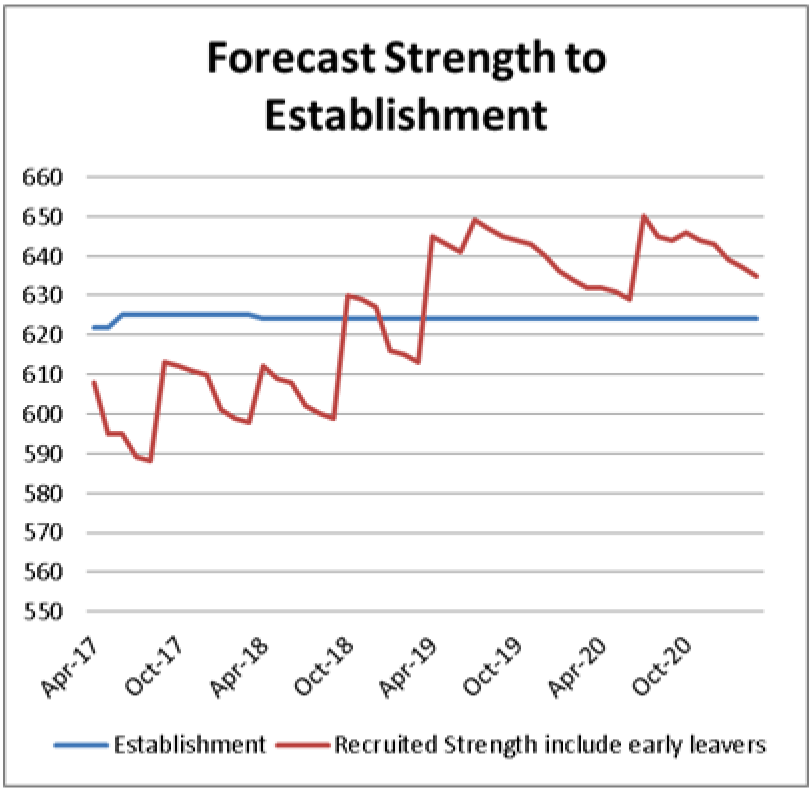
Establishment represents the number of operational posts within LFRS, and strength represents the number of personnel. Recruits in training are included in the strength figures though they cannot contribute to response until they have completed their initial recruits training.

As at 1.4.2017 the establishment was 622 posts[11] which will increase/reduce throughout the year when additional posts are created or disestablished.
As at 1.4.2017: Establishment 622. Strength including early retirements = 608 people.
14 Under established.
As at 1.4.2018: Establishment 624. Strength including early retirements = 612 people.
[inclusive of new recruits 32 September 2017 & 17 April 2018]
12 Under established

[10] Annual Retirement Projection Report
[11] As at 1.7.2017 current establishment = 625

As at 1.4.2019: Establishment 645. Strength including early retirements = 645 people.
[Inclusive of new recruits 36 October 2018 & 36 April 2019]
21 Over established
As at 1.4.2020: Establishment 624. Strength including early retirements = 632 people
8 Over established.

Recruitment will continue to 2021to address the turnover, see Appendix A



The number of recruits can be adjusted to suit the operational requirement. The timing of courses is dependent on the capacity or TOR, subject to resources.

11. Labour demand, turnover and supply forecasting.

The majority of staff within the wholetime firefighting service are aged between 45-49 years of age with a substantial number aged 50-55 years and 40-44 years of age. Over the next four years it is anticipated that there will be a loss of a number of Crew, Watch and Station Managers. Forty six firefighters will also potentially retire and therefore the need for suitably skilled firefighters will increase. Turnover in all ranks will reduce after 2020.

Turnover does give LFRS the opportunity to recruit individuals who can adhere to LFRS values and behaviours[12] and deliver a culture to meet the workforce challenges facing LFRS over the next five years.

Within the RDS service a large proportion of staff are aged less than 34 years and turnover has reduced from last year from 15% to 14%[13], with the introduction of a new RDS salary scheme, this may address some of the recruitment, retention and operational challenges.

[12] LFRS Appraisal Process
[13] Number of RDS staff compared to the number of leavers.

However, it is anticipated the need for retained firefighters and regular recruitment campaigns will continue, the turnover of RDS and the lack of interest in RDS supervisor roles is a concern.

Within business support staff turnover is low compared to the total number of staff employed. However, it is relatively high compared to the number of staff employed within Business Support Services at 12%. There are some recruitment challenges in the retention and recruitment of specialist staff and during 2016; LFRS adopted a Market Supplements Policy to ensure that it continues to recruit staff with the right skills and competencies. During 2017/2018 it will be implementing an online recruitment tool and using specialist support for those hard to fill vacancies which will include RDS.

12. Recruitment and retention planning.

12.1 Business Support staff are recruited as when vacancies arise, some recruitment challenges have been identified in relation to the ICT Department and Service Development Department and a Market Supplements Policy was developed and implemented during 2017.

12.2 Retained fire fighters are recruited through three campaigns a year, running an RDS campaign is distinct from wholetime due to candidates having to live or work within 5 minutes of the Station. The challenge is explaining to potential staff that they are required to be available to respond for up to 120 hours a week, but very often they may not be required to respond to many emergencies. The Pay Scheme has been changed during 2017/2018 with the implementation of a retaining fee and an additional turnout and attendance payment which may tackle the challenges associated with a failure to respond and levels of absence. Recruiting and retaining to the RDS remains difficult, some areas have an aging population and we know the retained duty system appeals to the younger age group, other areas are remote and the population is sparse and dispersed widely across the locality. There is therefore a need for effective leadership and a constant requirement to promote and recruit staff to the RDS. During 2017/2018, LFRS establish seven Retained Support Officers, an element of their role will be to supplement service delivery's capacity to promote recruitment to the RDS to local business, communities and at events.

12.3 Wholetime firefighter recruitment took place in June 2016 (internal campaign restricted to RDS) and in March 2017 (external campaign following positive action). There were no recruitment challenges in terms of attracting applicants. However there are challenges in relation to the attraction and appointment of candidates from a diverse background, this has been more fully considered in the Equality, Diversity and Inclusion Annual Report and associated action plan.

12.4 Leadership Development: LFRS has recognised the need to invest in the development of its operational leaders and business support leaders due to the anticipated turnover of staff at Station, Watch and Crew Manager. There is also the challenge of delivering a flexible service in an environment of change and effective leadership is seen a key in meeting LFRS workforce challenges. This approach is considered in more detail within the organisational development plan.

13. Succession planning and talent management

The workforce plan is an opportunity to plan future staff needs and respond to any identified issues. LFRS is keen to establish a culture of personal improvement and individual responsibility for personal development and the implementation of the new appraisal will support this. Further development on being an effective leader and developing leaders during 2017/2018 will support appropriate talent to be identified and ensure training needs are met. LFRS is keen to ensure that our leaders of the future can demonstrate a commitment to the moral and wellbeing of their staff and value a diversity of ideas, experiences, opinions and are innovative in terms of developing new ideas and solutions to the challenges we face.

LFRS uses it's Crew Manager, Watch Manager Promotion Boards and the Potential Middle Manager Selection process as opportunities to identify and select talent for the future. The retirement profile indicates a turnover of wholetime supervisory managers plus an increase in the complexity in the role, in response LFRS has allocated additional resources to respond to these challenges. During 2017/2018 Human Resources will be considering how these arrangements can be used to develop talent for the future to address any succession planning issues.

14. Job Design and Multi skilling

LFRS has already established productive relations with Lancashire Police and North West Ambulance Service and a number of initiatives have already been delivered or are being explored further including: North West Fire Control which coordinates calls across the North West, the Emergency First Responder pilot project with North West Ambulance Service where fire crews are mobilised to certain types of medical emergencies, the Gaining Entry Project where fire crews support the police to gain entry to a property and the shared location arrangements with Police, North West Ambulance and other partners. LFRS will continue to explore other opportunities to work in a collaborative way with Police via the Lancashire Constabulary Partnership Development, the Local Authority Strategic Partnership Development and other partners. Recognising, that the National context on the position of collaboration could impact on our industrial relations environment.

An increase in collaboration creates a need to review the skills and competencies required within job roles and the development of staff to deliver a broader range of duties. We recognise that our firefighters of the future will need well developed communication skills and must be able to respond to our diverse community in a range of different circumstances. We also acknowledge that our line managers will need excellent people management skills to ensure that staff are supported through any change, ensuring they are engaged in the change process and fear and uncertainty is addressed. Our Leadership Conferences are opportunities for leaders to come together to share our direction of travel in terms of being positive and ambitious and our leadership development programmes and ILM are opportunities for our leaders to develop their skills further. Our health and wellbeing project creates opportunities to develop resilience to lead more effectively.

15. Anticipated changes and challenges to our workforce

LFRS are facing unprecedented change and our workforce need to be able to respond to those challenges:

LFRS are facing unprecedented change and our workforce need to be able to respond to those challenges:

Political

- Legal duty to collaborate.
- Introduction of national fitness tests.
- Implementation of the apprenticeship levy and an apprenticeship target of 2.3% apprenticeship starts per year of headcount within the public sector.
- Expected increase in the National Minimum Living Wage to £9.00 from 2020 which will affect scale 1 and 2 posts.
- Recruiting a diverse workforce.
- To be transparent, accountable and open to scrutiny.
- Industrial Relations in a climate of public sector pay restraint.
- New inspection regime.

Economic

- In light of the decision to cut the deficit this has led to a reduction in finance in LFRS and other agencies. LFRS is currently well placed to manage its own finances, however the financial challenges of other partners may increase the risks associated with the key functions of LFRS.

Sociological

- Fire Deaths have halved since the 1980's, since 2007 the number of accidental fire deaths in the home has stabilised.
- The number of road traffic collisions has increased by 15%.
- The community LFRS serves has grown increasingly diverse, in terms of an ageing population, ethnicity and religion.

Technological

- There is a need to integrate LFRS ICT systems and technology and to ensure the skills of those using the ICT Business processes are well developed to ensure efficiency and effectiveness.

Legal

- Pension changes and associated impact on the industrial relations climate.
- Increase in climate of litigation.
- Introduction of the General Data Protection Regulation which requires LFRS to be compliant by 25.5.2018.
- Implementation Gender Equality Duty 1.4.2017 and reporting of results 2018.

Environmental

- To provide an effective and proportionate response to terrorism.
- LFRS has no legal duty to respond to flooding but there is an expectation that it is able to respond to major incidents involving flooding.

- An ability to pool and reconfigure resources and provide collective action to respond to more complex incidents.
- Ability to identify any capability gaps and ability to meet the full range of risks in the area.

16. Evaluation of Plan

The workforce action plan will be reviewed regularly in light of changes to the political, economic, sociological, technological and legal environment. It will also be updated in light of any change projects which impact on the LFRS workforce. Monitoring of the Plan will be via the Workforce Development Programme Board.

17. Workforce Planning Priorities 2017/2018

- Deliver a whole time recruitment campaign to replace those exiting LFRS due to the current age profile.
- Deliver the organisational development plan to ensure a consistent understanding of leadership within LFRS, develop the skills and competences of our leaders ensuring there is individual responsibility for personal development and leadership is displayed ensuring a diversity of ideas, experiences, backgrounds are valued and innovative solutions to problems are identified.
- Increase the diversity of the workforce.
- Increase the number of apprentices within LFRS through the recruitment of Fire Fighter apprentices once the new trailblazer is launched in October 2017
- Review the reasons for high levels of turnover within the RDS through a qualitative questionnaire.
- Review how leaders (in particular underrepresented groups) can be supported to develop and progress through consultation with existing staff and sharing good practice.
- Explore opportunities for improving the physical fitness of the older workforce to aid retention in light of the aging profile.

Start OF Month	Establishment	Recruit FFs On Run	Apprentice FFs On Run	Recruited Strength include early leavers	Over Estab
Apr-17	622			608	-14
May-17	622			595	-27
Jun-17	625			595	-30
Jul-17	625			589	-36
Aug-17	625			588	-37
Sep-17	625	32		613	-12
Oct-17	625			612	-13
Nov-17	625			611	-14
Dec-17	625			610	-15
Jan-18	625			601	-24
Feb-18	625			599	-26
Mar-18	625			598	-27
Apr-18	624	17		612	-12
May-18	624			609	-15
Jun-18	624			608	-16
Jul-18	624			602	-22
Aug-18	624			600	-24
Sep-18	624			599	-25
Oct-18	624	36		630	6
Nov-18	624			629	5
Dec-18	624			627	3
Jan-19	624			616	-8
Feb-19	624			615	-9
Mar-19	624			613	-11
Apr-19	624	36		645	21
May-19	624			643	19
Jun-19	624			641	17
Jul-19	624		12	649	25
Aug-19	624			647	23
Sep-19	624			645	21
Oct-19	624			644	20
Nov-19	624			643	19
Dec-19	624			640	16
Jan-20	624			636	12
Feb-20	624			634	10
Mar-20	624			632	8
Apr-20	624			632	8
May-20	624			631	7
Jun-20	624			629	5
Jul-20	624	12	12	650	26
Aug-20	624			645	21

Sep-20	624			644	20
Oct-20	624			646	22
Nov-20	624			644	20
Dec-20	624			643	19
Jan-21	624			639	15
Feb-21	624			637	13
Mar-21	624			635	11

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

EQUALITY, DIVERSITY & INCLUSION ANNUAL REPORT AND ACTION PLAN FOR 2017/2018
(Appendix 1 refers)

Contact for further information:
Bob Warren – Tel No. 01772 866804

Executive Summary

The Equality, Diversity and Inclusion Annual Report and action plans (appendix 1) are the mechanism by which Lancashire Fire & Rescue Service (LFRS) explains the activity it has undertaken during 2016/2017 which eliminates unlawful discrimination, harassment and victimisation, advances equality of opportunity and fosters good relations. The report also explains the actions which the Service intends to take the following year during 2017/2018. As a public sector organisation, there is a legal requirement to publish information and also publish how LFRS is meeting its legal duties in relation to the Equality Act 2010 and the Public Sector Equality Duty.

Recommendation

To note the Equality, Diversity and Inclusion Annual Report.

Information

The Equality Act 2010 states that everyone has the right to be treated fairly and equally. The Act has two main purposes. It brings together and simplifies all of the existing discrimination law, and strengthens the law to further support progress on equality. In the exercise of its functions (including any function carried out by an external supplier/organisation), the Service must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and those who do not;
- Foster good relations between people who share a protected characteristic and those who do not.

These are often called the three main aims of the “general duty” and are detailed in the Equality Act 2010 Section 149. The Equality Duty is supported by two main specific duties which require public bodies to:

- Publish equality information at least annually;
- Set and publish equality objectives at least every four years.

The Equality, Diversity and Inclusion Annual Report is the way in which the Service demonstrates it is meeting its legal requirements, the report contains information (based on information that has been disclosed or that is publically available) about:-

- Our corporate planning and policy approach to equality and diversity;
- The composition and the equality profile of our workforce;
- An overview of equality-related activities.

The Annual Report makes reference to how equality, diversity and inclusion activity is embedded within its Corporate Planning process and how LFRS is shaping and delivering its services to meet the needs of its diverse communities. The Report includes data that it is required to report in terms of its workforce profile, its completed action plan for last year and its actions for next year. The delivery of the action plan is monitored through the Equality, Diversity and Inclusion Steering Group.

Business Risk

Failure to comply with the obligations of the Equality Act 2010 could result in reputational and financial considerations.

Environmental Impact

The report has no environmental impact

Equality & Diversity Implications

The Equality, Diversity and Inclusion Annual Report is a way in which the Service can demonstrate that it is advancing equality of opportunity between people who share a protected characteristic and those who do not.

HR Implications

Measures in this area improve the organisational working environment.

Financial Implications

No financial implications arising directly from the report

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

Paper	Date	Contact
Reason for inclusion in Part 2, if appropriate:		

APPENDIX 1

Equality, Diversity and Inclusion

Annual Report

2017/2018

Contents

1. Foreword
2. Summary
3. Our aim
4. Corporate Planning and Policy approach to Equality Diversity and Inclusion
5. The Equality Act 2010
6. Equality Objectives
7. Protected Characteristics (or Protected Groups)
8. Equality Impact Assessment
9. Human Rights Act 1998
10. Equality in Partnership and Contracts
11. Our communities
12. Summary of Equality and Diversity Activity
13. Accessibility
14. Training and Development
15. Recruiting a diverse workforce
16. Equality in Employment Practices
17. Engagement and Consultation
18. Performance Management
19. Bullying and Harassment

Foreword

1. Welcome to Lancashire Fire and Rescue Service (LFRS) Annual Equality Diversity and Inclusion Report 2017-2018

The Lancashire Combined Fire Authority (CFA) is responsible for leading and supporting Lancashire Fire and Rescue Service. The CFA has a membership of 25 elected councillors consisting of nineteen from Lancashire County Council, three from Blackburn with Darwen Council and three from Blackpool Council. It employs approximately 1242 members of staff in a variety of roles including operational fire fighters, administrators, fire safety, business support and managerial staff, 82% of the Service are employed as firefighters.

The Annual Equality, Diversity and Inclusion Report reviews our performance in relation to meeting our legal duties over the year 2016 – 2017, the workforce profile as at 31st March 2017 and our plans in relation to equality and diversity for the period 1st April 2017 - 31st March 2018.

The report is one of the ways we make visible how we are meeting our obligations to recognise diversity, value inclusion and promote equality. The report reflects the work of LFRS within our diverse communities as well as reporting key equality data/information.

As an employer our aim is to recruit and develop a diverse workforce and to ensure that our workforce can work with dignity and respect, protected from any type of prejudice or discrimination.

2. Summary

As a public body we are required to publish equality information which demonstrates our compliance with the Equality Duty. This report contains information (based on information that has been disclosed or that is publically available) about:-

- Our corporate planning and policy approach to equality and diversity.
- The composition and the equality profile of our workforce.
- An overview of equality-related activities.

3. Our aim

Making Lancashire safer is our commitment to making sure that everything we do improves the safety of our diverse communities.

This is more extensive than simply responding to fires and other emergencies. We use our skills, experience and resources to make people safer in much broader terms across life's stages: helping people to start safe; live safe; age safe and be safe on our roads.

Lancashire Fire and Rescue Service (LFRS) is committed to its purpose of "making Lancashire safer" and it has developed the following priorities to support this intention:

- Preventing fires and other emergencies from happening.
- Protecting people and property when fires happen.
- Responding to fire and other emergencies quickly and competently.
- Valuing our people so they can focus on making Lancashire safer.

- Delivering value for money in how to use our resources.

We define our expectations from staff within our Annual Service Plan and our values define how we STRIVE to achieve our purpose of “making Lancashire safer” by making sure what we do is guided by strong principles of:

- Service: Making Lancashire safer is the most important thing we do and we work in a diligent and competent way.
- Trust: We Trust the people we work with and we contribute to a positive workplace.
- Respect: We demonstrate consideration of others and we recognise how our behaviour may impact on others.
- Integrity: We do what we say we will do and we work in a professional, positive non-judgmental way.
- Value: We actively listen and recognise the contribution of others whatever their role, background, ideas, view or approach.
- Empowerment: We are encouraged to contribute to decision making, to resolve problems and we are accountable for our decisions, actions and behaviours.

Risk is dynamic and fire disproportionately affects certain demographic groups and we therefore focus on the potential root causes and the people who are most vulnerable to them; those, living alone, with health issues, with impaired mobility, affected by socio-economic deprivation and drug and/or alcohol users.

4. Corporate Planning and Policy Approach to Equality and Diversity

The Services’s annual priorities as detailed in our Annual Service Plan 2017 and the Service’s Integrated Risk Management Plan 2017-2022 explains LFRS vision in terms of how we will achieve our mission of “making Lancashire safer”.

The Equality, Diversity and Inclusion Annual Report is part of the suite of human resources plans in addition to the workforce plan and the organisational development plan which explains the interventions which will take place to support the achievement of LFRS mission and values. It flows from the overarching strategic plans of LFRS and links people management into the operational business process.

5. The Equality Act 2010

The Equality Act 2010 states that everyone has the right to be treated fairly and equally. The Act has two main purposes, it brings together and simplifies all of the existing discrimination law and strengthens the law to further support progress on equality.

In the exercise of its functions (including any functions carried out by external supplier/organisation) LFRS must have due regard to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

These are often called the three main aims of the general duty and are detailed in the Equality Act 2010 Section 149. The Equality Duty is supported by two main specific duties which require public bodies to:

- Publish equality information at least annually.
- Set and publish equality objectives at least every four years.

Public authorities covered by the specific duties must publish information to demonstrate their compliance with the general equality duty. This information must include information relating to people who share relevant protected characteristics who are its employees and people affected by its policies and practices. LFRS has developed and published a workforce equality profile of staff and this information is attached at Appendix A. Monitoring equality and diversity in the workforce enables LFRS to identify how employment policies are working and to identify areas where these may appear to be working disproportionately on certain groups of staff. Employment monitoring data is collected and reported annually in relation to all protected groups apart from gender reassignment due to the sensitive confidential nature of this data. The LFRS Operational Emergency Cover Review, which includes an assessment of relevant data which allows LFRS to assess risk and focus its resources in those areas of highest need. This review includes analysis of data which covers a range of factors including the statistical data of the population of different Districts and data relating to Super Output areas comprising census information.

6. Equality Objectives

As part of the development of our Integrated Risk Management Plan 2017-2022 we reviewed and developed new equality objectives:

Our Communities:

- Support local business's to reduce the risk of fire and remain compliant within fire safety legislation
- Reduce the number and impact of fire and other emergencies to our diverse communities across Lancashire.
- Develop and deliver a Prevention Service targeting our most vulnerable communities

Our workforce:

- Promote equality in our workforce policies and workforce practices
- Develop our staff to ensure they can respond competently meeting the different needs of our diverse communities

The Equality Act removed the need for equality schemes and LFRS now produces progress actions against it's equality objectives for the previous year and new actions for the next year within the annual equality, diversity and inclusion report.

7. Protected Characteristics (or protected groups)

LFRS aims to ensure that no one receives less favourable treatment for reasons relating to all recognised protected characteristics covered by the Equality Act 2010.

- Age.
- Disability.
- Gender reassignment.
- Marriage and civil partnership (in respect of eliminating unlawful discrimination).
- Pregnancy and maternity.
- Race – this includes ethnic or national origins, colour or nationality.
- Religion or belief – this includes lack of belief.
- Sex (gender).
- Sexual orientation.

8. Equality Impact Assessment

The completion of equality impact assessments is no longer a legal requirement; however it is a useful tool in identifying the impact of policies and decisions on staff and communities. Equality Impact Assessments are completed for Projects, Executive Board and Senior Management Team Reports where there is an impact on people or the community.

9. Human Rights Act 1998

All public bodies and other bodies carrying out public functions have to comply with the Human Rights Act. Human rights are the basic rights and freedoms that belong to every person in Europe regardless of their nationality and citizenship.

Human Rights are based on five principles known as FREDA

- Fairness
- Respect
- Equality
- Dignity
- Autonomy

The Human Rights Act sets out the fundamental rights and freedoms that individuals in the UK have access to, these rights are called “the convention rights”.

10. Equality in partnerships and contracts

LFRS will ensure that any partnership it is involved in operates in line with equality principles and associated equality duties. All contracts are required to agree to LFRS terms and conditions which will include relevant clauses in relation to equalities. Additional scrutiny is incorporated within the procurement process where it is considered appropriate.

11. Our communities

11.1 Population

As a whole, the usual resident population for Lancashire according to the 2011 Census was 1,460,900, this illustrates a growth in population of 3.3% or 46,200 people since the last census in 2001.

The table below shows the population in the Lancashire 14 area's according to the 2011 census, this highlights that Blackburn with Darwen has the largest population of the 14 authorities (147,500) and the Ribble Valley is home to the smallest population (57,100).

District	Age band:					Total
	0-14	15-24	25-44	45-64	65+	
Burnley	16,000	11,100	22,700	22,900	14,200	87,000
Chorley	18,300	12,200	28,600	30,200	17,900	107,200
Fylde	11,200	7,500	16,700	22,100	18,300	75,800
Hyndburn	15,400	10,300	21,700	20,600	12,900	80,700
Lancaster	21,400	24,500	32,400	34,900	25,300	138,400
Pendle	17,300	11,200	23,700	23,000	14,400	89,500
Preston	25,100	24,600	38,900	32,400	19,200	140,200
Ribble Valley	9,800	6,300	12,600	17,100	11,600	57,100
Rossendale	12,300	8,200	17,900	19,100	10,500	68,000
South Ribble	18,600	12,800	28,100	30,100	19,300	109,100
West Lancashire	18,600	14,900	25,200	31,100	20,900	110,700
Wyre	16,000	12,000	22,600	30,700	26,600	107,700
Lancashire County (12 districts)	**200,100**	**155,500**	**290,700**	**314,100**	**211,300**	**1,171,300**
Blackburn with Darwen	32,100	19,900	41,800	34,600	19,100	147,500
Blackpool	23,700	17,100	35,500	38,400	27,100	142,100
Lancashire (14 authorities)	**255,900**	**192,500**	**368,000**	**387,100**	**257,500**	**1,460,900**

When comparing the 14 districts of Lancashire to the national averages for England and Wales, the statistics show a higher proportion of people living in Lancashire in the two oldest broad age groups of 45-64 year-olds and 65+[1].

Expected population projections from the Office of National Statistics over the period of 2012 to 2037 show that for the 14 Authority areas in Lancashire, a 5.0% increase is projected over the next 25 years making an expected population total of 1.539 million.

[1] http://www.lancashire.gov.uk/lancashire-insight/population-and-households

11.2 Cultural Diversity

Ethnicity across the county is diverse; the largest ethnic group in the county identify themselves as being white (90%), whilst the black minority ethnic (BME) group form 10% of the population with Asian/Asian British making up 8% of this group.

District	Usual residents	All white	Mixed/multiple ethnic group	Asian/Asian British	Black/ Black British	Other ethnic group
Burnley	87,059	76,054	976	9,578	211	240
Chorley	107,155	103,833	1,016	1,710	401	195
Fylde	75,757	73,844	742	845	163	163
Hyndburn	80,734	70,778	696	9,007	106	147
Lancaster	138,375	132,342	1,356	3,732	628	317
Pendle	89,452	71,437	946	16,807	126	136
Preston	140,202	112,415	3,326	21,732	1,676	1,053
Ribble Valley	57,132	55,904	360	729	92	47
Rossendale	67,982	63,778	602	3,396	123	83
South Ribble	109,057	105,847	1,174	1,612	268	156
West Lancashire	110,685	108,603	866	913	174	129
Wyre	107,749	105,852	664	993	130	110
Lancashire County (12 districts)	**1,171,339**	**1,080,687**	**12,724**	**71,054**	**4,098**	**2,776**
Blackburn with Darwen	147,489	102,009	1,823	41,494	933	1,230
Blackpool	142,065	137,339	1,753	2,282	346	345
Lancashire (14 authorities)	**1,460,893**	**1,320,035**	**16,300**	**114,830**	**5,377**	**4,351**

Within the 14 Authority areas in Lancashire, the highest proportion of the population who are BME, is in Blackburn at a total of 45,480 (31%); this rate is three times greater than that of the Lancashire average. In contrast, Blackpool recorded a BME population that accounted for only 3% of its total population (4726 people)[2].

According to the 2011 census, 95% of all households in Lancashire had English spoken by all the people within them aged 16 and over as a main language. The national average of households in England and Wales in this category was 91%.

11.3 Religion

The 2011 census recorded that across the 14 Authority areas in Lancashire, Christianity was the most popular religion with 67% of people in this classification; this is above the national average of 59.3%[3]. The second highest category recorded across Lancashire was of people

[2] http://www.lancashire.gov.uk/lancashire-insight/population-by-ethnicity

[3] http://www.lancashire.gov.uk/media/897579/census-2011-religion.pdf

stating no religion at 19% (national level 25.1%), followed by Muslim which was recorded at 6.6%. The Muslim population within Lancashire is higher than the national average of 4.8%, with the Blackburn with Darwen area having the third highest Muslim population across the 348 authorities within England and Wales.

District	All categories	Christian	Buddhist	Hindu	Jewish	Muslim	Sikh	Other	No religion	Not stated
Burnley	87,059	55,399	192	175	14	8,580	33	236	17,178	5,252
Chorley	107,155	80,732	275	196	45	1,130	18	337	18,418	6,004
Fylde	75,757	55,843	196	175	322	350	39	228	13,870	4,734
Hyndburn	80,734	53,602	162	70	7	8,336	38	249	13,700	4,570
Lancaster	138,375	91,124	540	446	119	1,767	100	658	33,833	9,788
Pendle	89,452	48,043	224	91	36	15,579	9	334	19,573	5,563
Preston	140,202	85,518	385	3,338	60	15,769	930	428	25,754	8,020
Ribble Valley	57,132	44,627	88	99	10	425	41	139	8,299	3,404
Rossendale	67,982	43,392	163	96	67	2,613	9	231	17,095	4,316
South Ribble	109,057	82,547	206	556	48	592	75	284	18,487	6,262
West Lancashire	110,685	84,337	141	229	62	276	87	216	19,029	6,308
Wyre	107,749	80,346	220	161	69	305	25	342	19,210	7,071
Lancashire County (12 districts)	**1,171,339**	**805,510**	**2,792**	**5,632**	**859**	**55,722**	**1,404**	**3,682**	**224,446**	**71,292**
Blackburn with Darwen	147,489	77,599	306	574	54	39,817	161	295	20,374	8,309
Blackpool	142,065	95,426	450	337	252	1,061	61	571	34,815	9,092
Lancashire (14 authorities)	**1,460,893**	**978,535**	**3,548**	**6,543**	**1,165**	**96,600**	**1,626**	**4,548**	**279,635**	**88,693**

11.4 Age

Future population predictions for Lancashire is 14 Authority areas show that growth rates across the county are expected to have distinct differences. Rossendale and Chorley are predicted to have the highest growth rates in population whereas in comparison Burnley and Hyndburn are expected to have a population decrease.

When carrying out further comparisons with predicted population levels by age group, one category that is expected to substantially increase across the county is that of those aged 65+. Statistics show that there are significant increases in predicted population groups over the age of 65 that become greater still as the age range increases. This culminates with the oldest age group (90+) being predicted to rise by 97% across the county over the next 15 years.

This growing number of people aged over 65 and above present's significant challenges not only for LFRS, but also for our partners as demand increases for services. To address this, LFRS is currently working in close collaboration with partners to develop an 'Early Action Early Intervention scheme'. This scheme is aimed at identifying the most vulnerable individuals within our communities and delivering a joined up service with our partners to ensure that a quick and effective assessment of need is undertaken. The overall aim of the scheme looks to improve our community's health and wellbeing to keep them safer in their homes.

11.5 Welfare Deprivation and Employment

Deprivation is measured across England through the combined Index of Multiple Deprivation 2015 (IMD 2015) which is the official measure of relative deprivation for small areas known as Lower Level Super Output Areas (LSOAs) in England.

The English Indices of Deprivation are based on separate indicators which are organised across seven distinct domains:

- Income Deprivation;
- Employment Deprivation;
- Health Deprivation and Disability;
- Education, Skills and Training Deprivation;
- Barriers to Housing and Services;
- Crime;
- Living Environment Deprivation

This allows all 32,844 LSOAs to be ranked according to how deprived they are in relation to each other.

Types of deprivation are often associated with each other, for example health combined with the influence of an individual's living environment and lifestyle choices can all add to vulnerability. These in turn can present hazards and risks that an individual may be susceptible to due to their circumstances. In 2015 Lancashire had 31 (3.3%) of its LSOAs in the top 1% of the most deprived neighbourhoods in England. These included 19 in Blackpool, four in Burnley, three in Blackburn with Darwen, three in Lancaster, one in West Lancashire and one in Wyre.

In contrast the dataset also shows that the proportion of LSOA's in the most affluent 10% of Lancashire rose from 51 (5.4%) in 2010 to 53 (6.0%) in 2015.

Fuel poverty can lead to a range of adverse effects from health issues including a rise in winter deaths which may be attributed to people living in cold unheated homes, to an increase in fire risk from people using what are deemed to be unsafe forms of heating (which are often poorly manufactured) or from counterfeit electrical products. To mitigate this, LFRS runs an annual winter safety campaign which aims to help those who are most vulnerable in our communities. Individuals who are deemed at high risk are offered a free Home Fire Safety Check and through our continued work with our partners we run a variety of local campaigns designed to target those specific groups.

12. Summary of Equality and Diversity Activity

LFRS functions are as follows:

12.1 Prevention and Protection

We seek to prevent fires and other emergencies from happening and we target our resources at the most vulnerable. We do this by actively participating in Health and Wellbeing Boards which identify opportunities for collaboration and information sharing so we can reach the most vulnerable people in our communities. Our Safe and Well Visits target the most vulnerable people in our community. As well as providing fire safety advice, we also provide brief interventions and referrals for specialist advice on dementia, social isolation, diabetes, healthy homes, falls prevention, home security and mental health and well-being. Our Princes Trust supports the work of prevention and delivers 12 week team programmes for young people aged 16-25, who are not in education, employment or training. These programmes are to develop the confidence of young people. Community Projects focus on those at very high risk, Super output area or area of fire fighter attacks/injury. We also protect by supporting businesses to reduce the risk of fire and lead enforcement activity.

12.2 Response

LFRS responds to a range of incidents and that response is the same regardless of protected characteristic. These incidents include fire, road traffic accidents and emergencies within the Lancashire area and in other areas in line with their mutual aid agreements. LFRS has mutual aid agreements with Merseyside, Cumbria, Manchester, North and West Yorkshire. As part of a national pilot, we are working with Lancashire Ambulance Service delivering Emergency First Responding to vulnerable people in need of an emergency service which includes the provision of training on health and wellbeing support to all staff who will undertake this role. We also support the police in gaining entry to properties where there is a known need to gain access to provide critical medical care.

12.3 National Resilience

LFRS has the necessary capability in place to manage the majority of risks that they may face either individually, collectively or through collaboration and the response is the same to all our communities. Such risks may include the need for high volume pumps, mass decontamination, specialist swift water rescue, specialist urban search and rescue, international search and rescue, wild fires and hazardous materials.

13. Accessibility

LFRS Corporate Communications Department ensures that information made available responds to the needs of the community in terms of format and distribution of publications, the equality and diversity values are promoted in key publications and information sources.

LFRS provides information in printed form and via the LFRS website. The website aims to conform to the following web accessibility guidelines in order to ensure that the website is accessible to users with a range of disabilities, including those with visual impairments.

- Standards compliance - World Wide Web Consortium (W3C).
- Changeable text size - the website uses an easy to read non-serif font type, size and colour in default size 12 which can be made larger or smaller to suit the users individual needs.
- Links - all links use descriptive.
- Multimedia - The LFRS aims to make our video and audio content accessible to everyone by providing transcripts or captions wherever possible. All images have alternative descriptive text.
- Show/Hide Page Banner - To support users who are visually impaired keyboard users pages have a ‘skip to content’ at the top of the page which allows the user to skip over the navigation links to the main content of the page.
- Stylesheet Switching - The website design uses an easy-to-see contrasting web colour scheme but because Cascading Style sheets (CSS) are used to define styles it is also possible for users to create their own custom style sheets.
- Tables and Forms - All WAI guidelines have been followed to ensure tables and forms are accessible.

On request, LFRS will provide other formats including, large print, Braille, etc. verbal or sign language translation/facilitation services for face to face contact or meetings can also be arrange and will be dealt with on a request basis.

The Communications Department actively supports the prevention work of LFRS ensuring that key messages are targeted at those at individuals who are most at risk. The loose clothing campaign has continued the promotion of community safety messages and as part of a multi-agency public safety campaign we have worked with partners to highlight increased areas of risk during Ramadan.

Our positive action campaign delivered during January 2017, targeted women and those communities who have low representation within the workforce. This included the use of social media, developing links with local colleges, gyms, clubs and visiting local community groups. The lessons we learnt from that campaign will be used to inform our next recruitment campaign in 2018.

14. Training and Development

LFRS has a proactive approach to training and development in relation to equality diversity and inclusion.

(i) All employees are required to complete equality, diversity, inclusion and unconscious bias training on Learn Pro as part of their induction. During 2017/2018 all members of staff were required to complete this development as refresher training. In addition, all employees are required to undertake a Corporate Induction which includes the value of positive language, behaviour that constitutes harassment and bullying and our core values. Our values are the qualities that we believe are the most important to us and describe the expectations the public have of us and that we have of each other. We have incorporated these values within our appraisal and values framework and which clearly explains how it is the responsibility of every member of staff to contribute to a positive work environment, to work in a positive, non-judgemental way and to actively listen and recognise the contribution of others whatever their role, background ideas, views or approach. From August 2015 – May 2017 211 personnel have completed the Equality and Diversity Initial Module and 190 members of staff have completed the Equality, Diversity and Inclusion module since May 2017 to date.

(ii) Absence management training was developed and commenced during 2016; this will continue through 2017/2018 and will be available for all line managers. This incorporates undertaking stress and individual risk assessments, tackling the reasons for absence including: stress, drugs and alcohol and harassment and bullying and also the process of making reasonable adjustments as per the Equality Act.

(iii) Recruitment and Selection training incorporating addressing unconscious bias will be delivered as part of a leadership development programme during 2017/2018.

15. Recruiting a diverse workforce

One of the National Fire and Rescue Service core values is valuing diversity in the Service and the community. Commencement of wholetime recruitment created a real opportunity to recruit individuals who are diverse, who will have different backgrounds, experiences and complementary skill sets. The January 2017 positive action campaign which supported the whole time recruitment strategy, focused on specific areas within the County to increase the number of applications from women and members of the BME. The campaign included the production of information targeted at underrepresented groups, a targeted social media campaign, the use of Press and targeted Job Sites. Staff also visited gyms, colleges and community groups. Potential candidates were encouraged to attend one of eight “Have A Go” days where people could speak to staff and ask questions about the recruitment process and working for Lancashire Fire and Rescue Service. Pockets of station based local activity, led by motivated individuals were also successful in generating female applications. 334 people attended the “Have A Go” days, circa 30% of those attending were either female or from BME communities. In addition, fifty five RDS referrals were developed from the process. 80% of those who attended the “Have A Go” days found out about them either via social media or via the LFRS website, 5% of applications were received from a BME background and 14% of candidates appointed were from a BME background, 12% of applications were from women, 7% of candidates appointed were women. All those eventually appointed went through a competitive recruitment and selection process and were appointed on merit and met the required standards.

16. Equality in Employment Practices

LFRS ensures that its employment procedures are equality impact assessed to ensure that equality is considered transparently in the development and implementation of its policies.

The LFRS monitors the composition of its workforce and this is attached at Appendix A

LFRS looks to promote equality of opportunity in recruitment, selection, pay, promotion, training, grievance and exit from employment. A breakdown of candidates recruited and selected to LFRS vacancies is attached at Appendix A. LFRS also monitors employees who are involved in disciplinary action, grievances, warnings related to capability and warnings related to absence, a profile is attached at Appendix A. However, the full details of the profile are not reported in public due to the low numbers and the need to preserve confidentiality of the employee.

LFRS has a number of policies which support employees with a protected characteristic and a number of these were updated during 2017 including: Bullying and Harassment, Maternity Handbook (incorporating Paternity and Adoption), Shared Parental Leave.

17. Engagement and Consultation

LFRS engages with staff formally through the Trade Unions. Workforce and employment related decisions and documents are reviewed with trade union representatives and other appropriate staff within LFRS. In addition, LFRS undertakes a staff survey three times a year, which provides qualitative data which is reported to Executive Board. A system of team meetings and performance reviews is established to ascertain the views of staff.

The reshaping of public service delivery, predominantly around health and its broader determinants require whole systems change to be supported across the sector. The emerging model in Lancashire is focusing heavily on early action, collaborative approaches and the co-location of teams operating from Integrated Prevention Hubs. In response to this challenge LFRS has based its prevention structure on the Integrated Neighbourhood Model.

18. Performance Management

The Annual Service Plan details the activities we will undertake in the year to deliver the strategy we set in our IRMP. The most important of these activities are managed by the Service Management Team through the Corporate Programme Board.

Local Delivery Plans (departmental and district plans) detail activity which further supports the delivery of our strategy but which is led by local teams.

All staff have a performance appraisal where objectives are set which support the delivery of our plans and feedback is given about performance in relation to our values.

19. Bullying and Harassment

LFRS has highly effective employee grievance and bullying and harassment procedures for dealing with employee complaints, the grievance and disciplinary procedures were updated during 2017 and training has been delivered during 2017 and will continue to be a feature of LFRS Leadership Development programme from 2017 – 2018 which all line managers are required to attend.

Appendix A

Workforce Profile as at 31st March 2017

The majority of our staff are white and male and work within the Whole Time Uniformed Service. A substantial number also work within the Retained Uniformed Service.

Workforce Headcount LFRS

Total No.of staff	White British	BME	Male	Female	Disability	Ave Age
1242	1205	37	1065	177	18	42
%	97%	3%	86%	14%	1%	

Since 2016, there has been a reduction in the number of staff we employ from 1245 to 1242 and the number of BME staff we employ has increased from 34 to 37, the number of women we employ has increased from 161 to 177 and there has been an increase in the number of disabled people we employ from 14 to 18.

Staff Category	Number of staff	FTE in contracted hours worked
Wholetime	610	610
RDS	407	248[4]
Control	2	2
Service Delivery (CFS)	53	51
Support Staff	170	141
TOTAL	1242	1051

Prevention and Protection

Community Fire Safety Green Book roles

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
53[5]	48	5	29	24	0	46

[4] Total number of retained hours divided by 120

[5] Fire Safety Inspectors, Practitioners, Prevention Support Officer, Prevention Support Manager.

Fire Safety Practitioners Grey Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
35	35	0	34	1	0	48

Princes Trust Programme Support Green Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
17	16	1	5	12	1	42

Response Grey Book Operational staff including resilience and specialist capability

Wholetime (including DC and DCP duty roles)

Total No.of staff Headcount	Role	White British	BME	Male	Female	Disability	Ave Age
539	All	530	9	511	28	9	45
	Strategic[6]	16	0	16	0	0	46
	First Line Supervisors[7]	72	0	67	5	0	46

Retained Duty System

Total No.of RDS staff	Role	White British	BME	Male	Female	Disability	Ave Age
407	All	392	15	381	26	7	37
	First Line Supervisors	128	4	131	1	1	43
	FF	264	11	250	25	6	34

[6] CFO, DCFO, ACFO, Area and Group Managers
[7] Station and Operational Watch Managers

Female Firefighter workforce

Crewing System	Rank	Age Under 34	Age 35-39	Age 40-44	Age 45-49	Age 50-55	Age 56-60	Age 61+
224	FF	6	6	*	*	*		
	CM	*						
	WM	*	*					
DC	FF							
	CM							
	WM							
DCP	FF	*						
	CM	*						
	WM							
Day Duty	CM							
	WM			*				
FDO	SM			*		*		
RDS	FF	17	*	*	*			
	CM				*			
	WM							
TOTAL		27	12	6	7	*		

We employ a total of 54 women within our firefighter workforce through all ranks which is an increase from 49 since last year.

* Numbers less and therefore identifiable

<u>Business Support Staff Green Book</u>

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
153	148	5	69	84	1	47

Within in Business Support staff there has been a small increase in numbers of staff from 150 to 153. However, a small increase in BME and women employed since last year.

Support Staff Grey Book (Including TOR, Control, Day Duty staff - refers to terms of employment)

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
38	36	2	36	2	0	43

Within Grey Book Support staff there has been an increase in numbers of staff employed from 30 to 38.

Recruitment Profile

APPLICATIONS DURING THE PERIOD 1.4.2016 – 31.3.2017

Total Applications	Male	Female	Did not state	Ethnic Minority	Disabled	% of females	% of bme
300	177	105	18	19	10	37.2	6.3
Shortlisted							
125	65	58	2	9	2	47.1	7.2
Successful							
26	11	15	-	3	1	57.6	11.5

A relative high number of applications for vacancies within LFRS are received from women and over 50% are appointed to vacancies.

A higher number of BME candidates are appointed compared to the number of applications received. The number of applications received from BME is relatively low.

Turnover

During 2016, the following numbers of staff left the Service due to a number of reasons including retirement, dismissal, and termination of contract (including temporary contracts and fixed term contracts or voluntary resignation. Turnover is low across LFRS apart from RDS.

Staff Category	Male	Female	Total	Ethnic Minority	Disabled	% of females	% of bme
Wholetime	47	0	47	1	1	0.00	2.1
RDS	54	4	58	3	1	6.9	5.2
Control	0	0	0	0	0	0.00	0.00
Service Delivery (CFS)	4	3	7	1	0	42.8	14.3
Support Staff	10	11	21	1	0	52.4	4.8
TOTAL	**115**	**18**	**133**	**6**	**2**		

Age Profile

Within the wholetime service the majority of staff are aged 45-49 years with a substantial number aged 50-55 years and 40-44 years. The youngest element of the workforce is RDS, where the largest number of employees is aged less than 34 years of age. Within business support services a significant proportion of staff are aged 50-55 years of age.

Staff Category	Age Under 34	Age 35-39	Age 40-44	Age 45-49	Age 50-55	Age 56-60	Age 61+
Wholetime	75	55	113	206	149	12	0
RDS	197	54	46	51	44	10	5
Control	0	0	0	2	0	0	0
Service Delivery (CFS)	8	11	5	8	9	7	5
Support Staff	30	17	16	23	52	19	13
TOTAL	310	137	180	290	254	48	23

APPENDIX B

Recruitment Profile

Applications during the period 1.4.2016 – 31.3.2017

Total Applications	Male	Female	Did not state	Ethnic Minority	Disabled	% of females	% of bme
300	177	105	18	19	10	37.2	6.3
Shortlisted							
125	65	58	2	9	2	47.1	7.2
Successful							
26	11	15	-	3	1	57.6	11.5

A relative high number of applications for vacancies within LFRS are received from women and over 50% are appointed to vacancies.

A higher number of BME candidates are appointed compared to the number of applications received. The number of applications received from BME is relatively low.

Promotions during the period 1.4.2016 – 31.3.2017

Crew Manager Promotions

Total Applications	Male	Female	Ethnic Minority	Disabled
17	14	3	0	0
Shortlisted				
13	12	1	0	0
Successful				
13	12	1	0	0

Of the 17 applicants, 1 withdrew, 1 not shortlisted, 2 already competent CM, hence ‘Shortlisted’ figure.

Watch Manager Promotions

Total Applications WM	Male	Female	Ethnic Minority	Disabled
48	45	3	0	0
Shortlisted				
44	41	3	0	0
Successful				
39	36	3	0	0

Total Applications WM plus Middle Manager Development Programme	Male	Female	Ethnic Minority	Disabled
29	26	3	0	0
Shortlisted				
17	14	3	0	0
Successful				
7	5	2	0	0

Total Applications Middle Manager Development Programme only	Male	Female	Ethnic Minority	Disabled
8	8	0	0	0
Shortlisted				
8	8	0	0	0
Successful				
5	5	0	0	0

Appendix C

Disciplinary Cases for the period 1.4.2016 – 31.3.2017

There were 9 disciplinary cases during the period 1 April 2016 to 31 March 2017. Of these cases, there were 2 dismissals; 3 written warnings; 1 oral warning; 2 agreed outcomes and 1 no disciplinary warning issued. Two appeals were raised, both of which upheld the original decision. In terms of monitoring, the cases break down as follows:

Male	Female	BME	Disability	Appeals	Decision Upheld
7	2	0	0	2	2

Matters of Grievance for the period 1.4.2016 – 31.3.2017

There were 8 grievance cases during the period 1 April 2016 to 31 March 2017. Of these, 7 were unfound and 1 was unfound in part, found in another. Two appeals were raised, both of which upheld the original decision.

Male	Female	BME	Disability	Appeals	Decision Upheld
8	0	0	0	2	2

Equality and Diversity Completed Action Plan for 1.4.2016 – 31.3.2017

Objective 1: To reduce accidental fires in the home by engaging with all our communities.

Action	Who by	Target Date	Progress
Undertake a Home Fire Safety direct marketing campaign to target communications at the most vulnerable and at risk	Head of Corporate Comms	2017	Autumn Marketing Campaign focused on reducing the risk to those who wear loose clothing. This campaign had a positive impact on communities who wear loose clothing.
Develop a Fire Safety Business Support Scheme.	Group Manager Service Development	2017	Business Support was a key theme within the Protection review. Certain types of Businesses are more at risk. The posts of 4 CM Business Safety Advisors (BSA) and a WMB Business Support Officer are now embedded. The BSA posts are key in the further development of LFRS business support and a BSA business support pack is currently being developed. A website lancsbusinessplus has also been created to host our business support to commercial premises. A Business Support Strategy has been written. Four Primary Authority Schemes are now in place.
Develop a Safe and Well Visit	Group Manager	2017	A phased roll out of the Safe and Well service which is targeted at the most vulnerable commenced Friday 2nd December 2016. Partner Agencies across the county are appraised of the revised service offer. Referral pathways are being tested within the pilot areas, prior to initial evaluation.

Develop effective engagement activities with young people via the Princes Trust and Fire Cadets to enable LFRS to listen to the concerns of diverse communities, demonstrate an understanding of the issues that effect them.	Head of Service Delivery North West	2017	The Princes Trust supports young people up to the age of 25 years old who are unemployed or struggling at school to transform their lives. The Prince's Trust engagement through various aspects of the 12 week Team Programme including fire awareness training at STC. April 2015 – December 2016 total of 198 learners with 62% male and 38% female. Diversity in the programme with 12% BME, 31% with a disability and 32% with a diagnosed mental health condition.
Explore partnership engagement opportunities through a LA Strategic Partnership Development Volunteering with a focus on vulnerable people and supporting the cadet scheme Information Sharing Fire Safety Model	Group Manager	September 2016	Working with Lancashire Strategic Partnership an approach to recruiting and using volunteers has now been established. This partnership focuses on the most vulnerable and supporting the Fire Cadet Scheme, reducing risk.
Review equality monitoring arrangements in relation to ethnicity data and enforcement prosecution activity	Protection Support officer	October 2016	The Customer data form has been updated to include ethnicity which should provide more meaningful data, so that prevention activity can be appropriately targeted.

Objective 2: To improve the use of equality performance data to shape and improve our services.

Action	**Who By**	**Target Date**	**Progress to date**
Undertake a pilot to use the data provided to by local authorities to target services at the most vulnerable. (Springboard)	Group Manager Pennine	2017	There have now been Information Sharing Protocols (ISPs) agreed with LCC and Blackpool, which provide LFRS with access to data at a household level (Oct 2016). This Adult Social Care data allows us to target our prevention resources at individuals that are; over 65, use a telecare system, have mobility impairments, sensory impairments, or cognitive impairments. These individuals are statistically likely to experience poorer outcomes in the event of a fire occurring in their property; therefore by utilising this strategic referral source and directing our resources accordingly we expect to see a reduction in fire related deaths and injuries.
Review how we use, store, share data to improve service delivery (Information Management Strategy)	Group Manager Corporate Programme and Intelligence	2017	The Springboard work is our primary workstream using partnership data and that this will provide learning which, aligned to the principles of IMS, will shape our understanding of the required datasets and how we can layer them to give us most benefit moving forward. Importantly the IMS also acknowledges the DP and FOI challenges which arise as a result of holding large quantities of partnership data and will shape what data we hold, how we store it and how we plan to retain it to prevent risk to the organisation.

Objective 3: To promote equality in our working practices to create and engaged and diverse workforce

Action	**Who by**	**Target Date**	**Progress to date**
Review Absence Management Procedure, Forms and Process.	Head of Human Resources	September 2016	Absence Management Procedure, Forms and Process review completed September 2017.
Deliver training on Absence Management including stress risk assessment and making reasonable adjustments in light of a disability.	Head of Human Resources	April 2017	Training commenced October 2016, with focus on dealing with a range of absence related issues including: Bulling, Drugs and Alcohol, Stress, Pregnancy, Underlying Health Conditions. This will continue next year.
Review Recruitment and Selection Procedure including maintaining a fair and objective recruitment process.	Head of Human Resources	April 2017	Recruitment and Selection Procedure reviewed. Documentation revised. HR Business Partners supporting Promotion Board process ensuring a consistent and fair recruitment process.
Deliver training on Recruitment and Selection incorporating unconscious bias	Head of Human Resources	April 2017	Being reviewed as part of 2017/2018 leadership development.
Undertake a recruitment exercise of whole-time firefighters addressing our workforce issues.	Head of Human Resources	April 2017	Recruitment exercise completed October 2016. Next recruitment exercise planned for March 2017. Positive action recruitment campaign being delivered during January and February 2017.

Review the Equality Impact Assessment Forms with a view to: Developing the skills of staff in considering the equality issues relating to policy development. Embedding a consideration of equality issues in the policy making and decision making of LFRS. Ensuring that an Equality issues are mitigated.	Head of Human Resources	June 2016	Equality Impact Assessment Forms and Process revised Mechanism for collation of EIAs established Mechanism for providing advice and guidance to managers established. Mechanism for audit to be established for 2017/2018.
Deliver briefings on how to undertake an Equality Impact Assessment	Head of Human Resources	June 2016	Twenty Six members of the Senior Management Team have attended briefings during 2016/2017.
Develop the concept of area training hubs making training more accessible	Head of TOR	March 2017	Capital Investment Report completed proposing additional training facilities for Northern and Western (other Areas already have suitable facilities) went to Executive Board on 12th December 2016, further work ongoing.
Review how we can improve our approach to Retained FF	Head of TOR	March 2017	RDS R&IG meets bi-monthly. RDS Strengthening and Improving Programme 2016/17 ongoing which includes a specific Think RDS work stream. Positive action delivered January 2017 with the objective of improving the diversity of the workforce from a gender and BME perspective.
Establish an Equality and Diversity Steering Group	Executive Board	August 2016	Equality Steering Group established first meeting 24th August 2016 agreed Equality Objectives for 2016 and Equality Objectives for 2017 have been developed and integrated into the IRMP.

Review our approach to the E and D Framework	Head of HR	September 2016	Equality and Diversity Policy agreed launched and available on the Website. Equality Objectives agreed for 2016 and action plan established for monitoring progress against the Public Sector Equality Duty. Development of Equality Objectives for 2017 considered and agreed as part of the development of the IRMP. Work of the Steering Group will be shaped by the Workforce Development Board.
Provide information, facilities and support to improve fitness health and wellbeing through a Health and Wellbeing Hub	Head of SHE	September 2016	Information all collated on the Intranet under Health and Well Being. This section of the website now provides a range of help, guidance and support.
Develop a Mental Health Policy	Head of SHE	September 2016	A specific Mental Health Policy will not be developed rather a consolidated approach to Health and Wellbeing incorporating Mental Health will be implemented. Distress Management and Self-care training is commencing for all staff within LFRS. Blue Light Champions established. Recruitment and Training of staff to deliver Trauma Risk Management progressing
CFOA Dementia Pledge – Raise Awareness of dementia	Head of SHE	September 2016	Chief Fire Officer signed the Dementia Pledge and a number of staff have been trained and signed up as dementia friends. Dementia Activities being delivered County Wide Guardian Angels Scheme being implemented in Northern Area which provides devices to people living with dementia Dementia Event held with Partners 28th October 2016. Western Area developed stickers for those with Dementia as a reminder about fire safety and security.

Revise the Service Order for Fitness Management in accordance with the CFOA/FireFit Guidance.	Head of TOR	June 2016	Fitness Service Order been updated and implemented The Service Order has been subject to Full EIA and changes to more adequately respond to pregnant women and employees who may be fasting.
Complete the second revision of Service Order for Fitness Management in accordance with the CFOA/FireFit Guidance.	Head of TOR	June 2017	Pending new guidance 2017 no action due 2016
As part of the review of the appraisal process ensure that equality issues affecting the organisation are identified and addressed.	Head of Human resources	April 2017	A new performance management framework has been developed including feedback on behaviour/values. The behaviours and values have been developed with a view to developing an inclusive culture, where diversity is valued. This will be rolled out during April 2017 supported by a leadership development programme.
Establish a formal coaching and mentoring programme ensuring that our workforce believe they are treated with dignity and respect.	Head of Training and Operational Review	April2017	TOR have developed a 2 day coaching and mentoring course which has been rolled out to mentors of Middle Managers. Further rollout to Watch Managers and Green Book Managers planned.
Develop an Organisational Development Plan which meets the needs of the LFRS in relation to developing the leadership skills of managers and preparing LFRS for the future: Leadership development Skills Based development: Absence Management Discipline and Grievance Recruitment and Selection incorporating unconscious bias	Head of Human Resources	June 2016	Organisational Development Plan for 2016/2017 agreed. Workforce Development Board considering the development needs for 2017/2018

Review Induction arrangements with a view to ensuring arrangements meet the needs of LFRS in relation to Equality and Diversity incorporating unconscious bias Standards and Behaviour Safeguarding Data Protection	Head of Human Resources	December 2016	Corporate Induction arrangements have been drafted which include values and behaviours in terms of promoting a diverse workforce.
Develop an integrated positive action recruitment campaign	Head of Corporate Comms	January 2017	Integrated positive action recruitment campaign developed and delivered January 2017-March 2017 comprising visits to colleges, community groups and community venues supported by targeted social media campaign and publicity campaign to continue next year.

Equality, Diversity and Inclusion Action Plan 1.4.2017 – 31.3.2018

Equality Objectives: Our Communities

(i) Support local business to reduce the risk of fire and remain compliant within fire safety legislation
(ii) Reduce the number and impact of fire and other emergencies to our diverse communities across Lancashire
(iii) Develop and deliver a Prevention Service targeting our most vulnerable communities

What we will deliver and how it will be achieved	Measure of Success	Owner	Target Date
Leadership, partnership and organisational commitment			
Review the Equality, Diversity and Inclusion Policy for consideration by the Lancashire Combined Fire Authority.	Members are aware of their commitments and accountabilities under the Policy.	Director People & Organisational Development	March 2017
Ensure that EDI is embedded within LFRS Corporate Planning Framework i.e. IRMP, Annual Business Plan and District Plans.	Embed EDI into LFRS policy development and decision making process.	Head of Corporate Communications and Head of Service Development	April 2017
The Fire and Rescue Service Equality Framework is under review, maintain a watching brief in terms the development of an approach within LFRS	Meet the requirements of any new Equality Framework	Head of HR	Ongoing

Effective Service Delivery			
Reduce accidental fires in the home through targeting those people who are at risk due to a range of factors including age, disability and lifestyle.	Reduce accidental fires 1.3 Accidental Dwelling Fires 1.4 Accidental Dwelling Fire Casualties	Heads of Service Delivery	March 2018
Work with at risk groups and local partners to contribute to the reduction and severity of road collisions in Lancashire. Young People are particularly at high risk of being killed or seriously injured.	Reduce road traffic accidents	Head of Service Development	March 2018
Ensure our services are accessible and meet the needs of people in the community by ensuring that fire prevention material is linked to a range of risks including cultural risks.	IRMP is informed by disaggregated data and takes into account differential impacts and varying needs	Head of Service Development	March 2018
Use a wide range of communication channels ensuring our safety messages meet the different needs of our communities in terms of timing of the campaign and types of risk.	Reduction in KPI activity.	Head of Corporate Communications	March 2018
Extend the use of Information Sharing Agreements with relevant partner agencies through the identification of relevant data sets from partners, completion of ISA and interpretation of data to assist targeting.	SA's providing HR referrals from diverse groups.	Head of Service Development	March 2018

Deliver a Home Fire Safety direct marketing campaign targeting the most vulnerable and those communities whose culture and lifestyle place them most at risk. Identify target groups using historic incident data, MOSAIC, Springboard and data from other ISA's, consider timing of campaign and employ a range of marketing media tailored to audience.	Reduction in KPI activity.	Head of Corporate Communications	March 2018
Review of referral partners involved in the delivery of Safe and Well visits and the referral pathways and an evaluation of delivery by protected characteristic.	Review the outcomes of 5 pilots in relation to the Safe and Well Visit in terms of meeting the prevention needs of all our communities.	Head of Service Development	March 2018
Engage with young people in vulnerable areas through our engagement programmes with the Princes Trust Deliver a range of activities to the diverse needs of Lancashire's young people.	High levels of population of PT programmes which is representative of the District	Head of Service Development	March 2018
Commissioning and Procuring Services Facilities or Estates			
Improve EDI aspects of new station builds Redesign Lancaster Fire Station to make it more accessible to all, remove dormitories and deliver single occupancy rest areas.	Fully integrated LFRS/NWAS facility which meets the needs of all users	Head of Property / Heads of Service Delivery	March 2018
Improve current building portfolio Review accommodation to ensure it meets the needs of our diverse staff and users: Hyndburn, Blackpool, South Shore	A clear plan of work to improve facilities on LFRS premises Equality is embedded throughout the procurement cycle	Head of Property / Heads of Service Delivery	March 2018

Conduct a review of our symbols and imagery with a view to reviewing what it is like to be based within LFRS if you are from a minority group.	A workplace which clearly depicts the Service commitment to EDI and meets the needs of a diverse workforce	Heads of Service Delivery / Head of Corporate Comms	March 2018
Community knowledge and engagement			
Collecting and Analysing and Using Information Implement data monitoring of Fire Cadets for 2017/2018 with a view to developing an action plan if a lack of representation Review equality monitoring arrangements in relation to enforcement and prosecution activity	Proportional representation of minority groups within Fire Cadet schemes. Evaluate is any negative impact in relation to prosecutions and use information to inform development of new strategies	Head of Service Development	March 2018
Review the need for/benefit of analysing complaints and customer satisfaction disaggregated data (customer satisfaction is traditionally high)	Customer Satisfaction rates high amongst diverse groups	Head of Service Development	March 2018
Review any potential changes required in relation to Business Continuity Plans in terms of the varying needs of the business communities and individuals	Business Continuity Plans which meet the needs of communities which are diverse	Head of Service Development	March 2018

Equality Objectives: Our Workforce

(i) Promote Equality in our workforce policies and practices
(ii) Develop our staff to ensure they can respond competently meeting the different needs of our diverse communities.

What we will deliver	How it will be achieved	Measure of Success	Owner	Target Date
Employment Health and Wellbeing				
Refresh the LFRS Workforce Plan		Identify any key trends in relation to the workforce	Head of Human Resources	August 2017
Develop the Equality, Diversity and Inclusion Annual Report		Workforce Monitoring takes place with a view to analysing trends and inform decisions and policy development.	Head of Human Resources	August 2017
Establish a quality assurance process to ensure a consistent application of the EIA process.		Embed Equality Impact Assessment with a view to ensuring engagement with staff and communities as appropriate, informed decision making and negative impact is mitigated.	Head of Human Resources	November 2017
Develop a maternity checklist for line managers to support women on the return to work from maternity leave.		Improved awareness amongst managers and improved outcomes from interactions with staff.	Head of Human Resources	November 2017

Embed a clear set of values of behaviours and equality objectives through the performance management processes	Embed the framework introduced 2017 through appraisal, feedback, training and a communication strategy	Head of Human Resources Head of Corporate Communications	March 2018
Engage and communicate with staff through: Regular engagement with FBU Support external diversity and inclusion networks which promote Equality, Diversity and Inclusion and Share Information. Analysis of Staff Survey results (Barometer) Support external staff networks which promote Equality, Diversity and Inclusion and share information	Feedback to develop the EDI knowledge within LFRS and EDI Steering Group about EDI issues Share good practice Obtain feedback from staff to shape policy development	Head of Human Resources Head of Corporate Communications Head of Service Development	March 2018
Actively promote the health and well-being of all staff in the workforce Deliver distress management and self-care training provision Service wide training programme for all staff commencing in 2016. Mental Wellness Delivery of a detailed programme of work aiming at raising the profile of mental health and wellbeing Implementation of Trauma Risk Management (TRIM) Move from Critical Incident Debriefing to Trauma Risk Management functions.	Improved awareness amongst staff and staff affected can readily identify triggers in selves and colleagues and access support services	Head of Safety Health and Environment	March 2018
Improving workforce fitness Develop a framework with Occupational Health and the Fitness Advisor for addressing issues of fitness where there is an underlying health issue	Clear fitness framework established and written into Service procedures.	Head of Human Resources	June 2017

Job Evaluate posts as per the National Evaluation Scheme. And respond to the outcomes of any Gender Pay Gap Reporting.	Meet legislative requirements	Head of Human Resources	March 2018
Deliver a positive action recruitment campaign to support recruitment in 2017 and continuing	A more diverse workforce representative of Lancashire	Head of Human Resources, Head of TOR and Head of Service Delivery and Head of Corporate Communications	March 2017 & Ongoing
Further to the positive recruitment campaign establish a mechanism for communication with minority groups.	A more diverse workforce representative of Lancashire	Head of Human Resources	November 2017
Develop an approach to Apprenticeships	A more diverse workforce representative of Lancashire	Head of Human Resources	November 2017
Explore opportunities for collating qualitative information from minority groups in terms of working for LFRS	Feedback which shapes development of LFRS as an organisation	Head of Corporate Communications	March 2018
Review of Induction policy and procedures Implement a revised induction arrangement with a view to ensuring arrangements meet the needs of LFRS in relation to Equality and Diversity incorporating unconscious bias Standards and Behaviour Safeguarding Data Protection	Staff join LFRS fully aware of our standards, expectations, values and behaviours	Head of Human Resources	July 2017
Deliver an Organisational Development Plan which will deliver a leadership development programme and develop the leadership skills of our line managers.	Improve the leadership skills of our line managers. Deliver a Leadership	Head of Human Resources	March 2018

Offer coaching development to line managers	programme covering: Leadership and managing change Grievance Handing Disciplinary Management Absence Management including management of stress and harassment and bullying Performance Management, Recruitment and Selection incorporating unconscious bias		
Review existing ILM level 3 and 5 programmes with a view to incorporating unconscious bias and transformational leadership, coaching and mentoring, managing change	Improve the leadership styles of line managers All staff are aware of their own unconscious bias and how it can influence their decision making.	Head of Human Resources	July 2017
Evaluation of RDS staff turnover Conduct a qualitative examination of RDS staff turnover to identify opportunities to improve retention	Changes to operations implemented to improve retention.	Head of Human Resources	June 2017
Explore opportunities for coaching of minority groups	Improve progression of Minority Groups through LFRS	Head of Human Resources	March 2018
Refresh workforce monitoring	Identify if any negative impact on particular groups	Head of Human Resources	March 2019
Review training monitoring per workforce statistics	Identify if any negative impact on particular groups	Head of Human Resources/TOR	March 2019

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

DEBT RESTRUCTURING

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

Executive Summary

The Authority currently holds £5.5m of debt, incurring annual interest charges of £0.25m on this. As such the report considers options around early repayment.

Recommendation

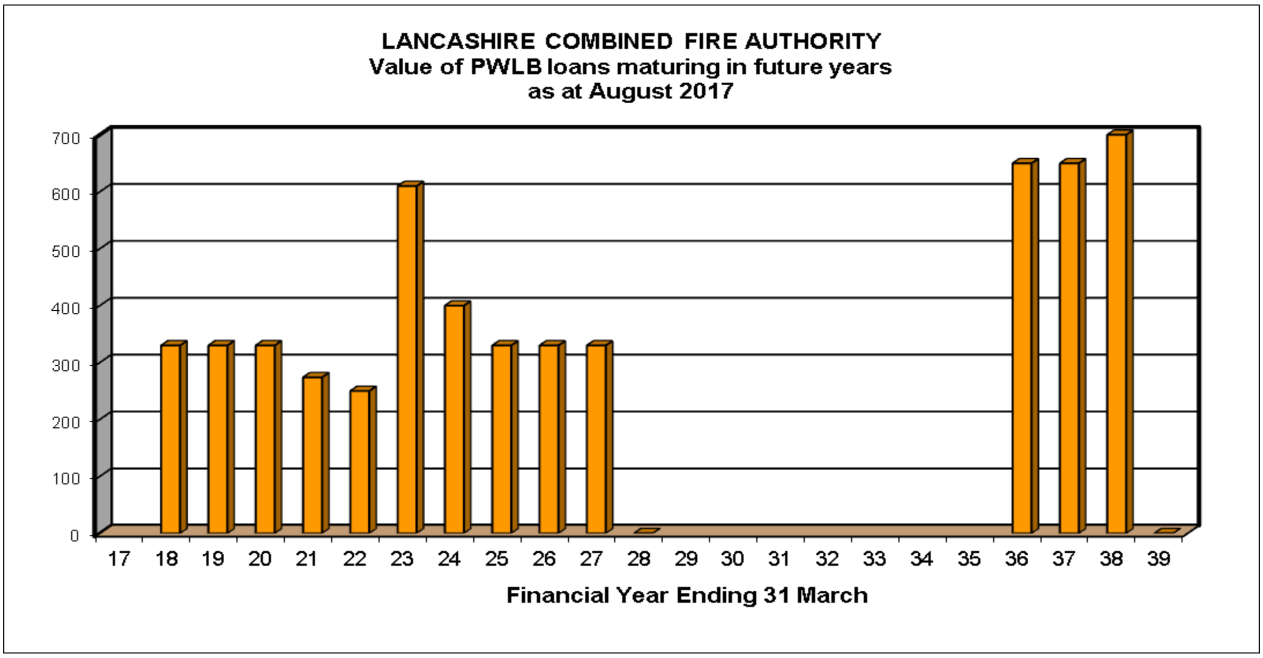
The Committee is asked to consider:-

- Which, if any loans, it wishes to repay;
- Whether it wishes to set up a portfolio of fixed term investment to mirror its debt profile and offset interest payments;
- Whether to leave the debt/investment portfolio as it currently stands and review further as part of next year's Treasury Management Strategy.

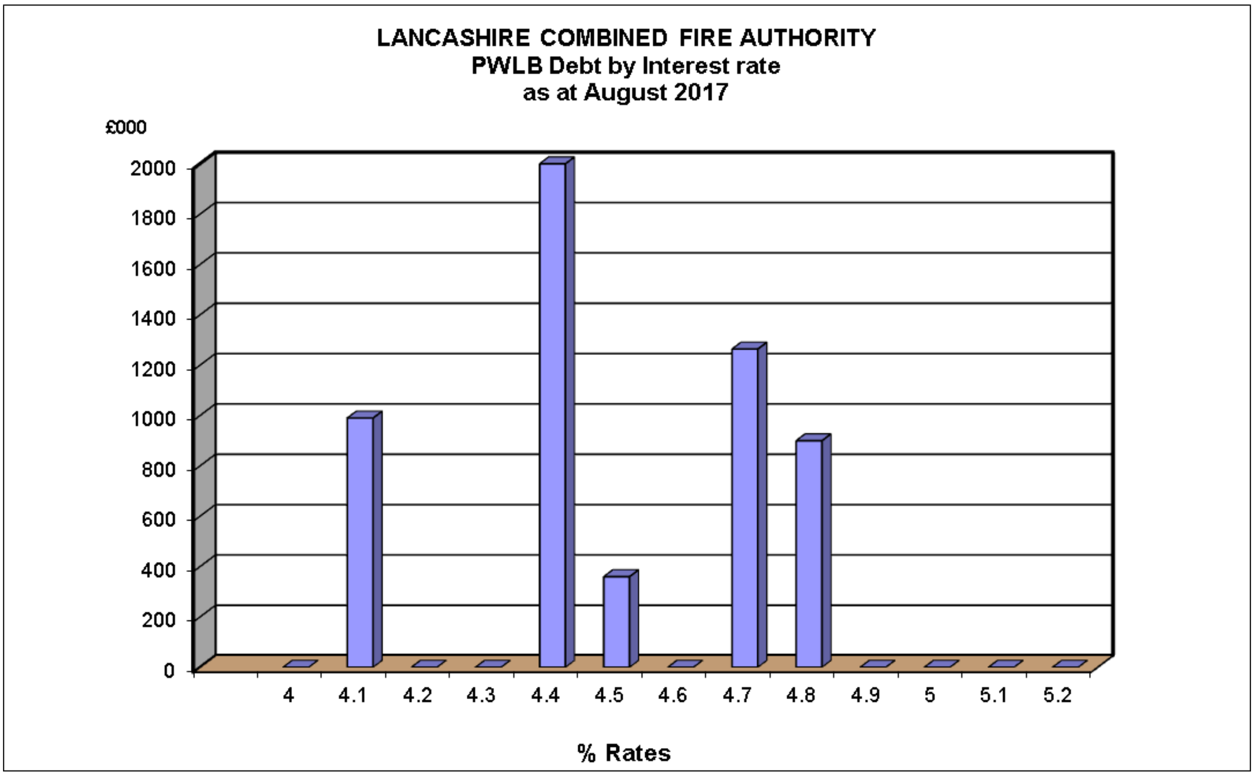
Information

Current Debt Portfolio

Currently the Authority has £5.5m of existing debt, repayable over the next 20 years, as shown in the chart below:-



All borrowing is at fixed rates, ranging between 4.10% and 4.88%, as shown in the chart below



As a result of this the Authority incurs annual interest charges of £0.25m.

2017/18 Treasury Management Strategy

As part of the 2017/18 Treasury Management Strategy, presented to Members in February, a review of debt restructuring opportunities was undertaken which identified that the cost of repaying the loans in the year would be in the region of £1.6m. This would result in lower interest payments over the period of the loans of £2.7m, a net gain over the period of the loans of £1.1m. However, paying the loans early would result in a loss of investment income, and allowing for future interest rate forecasts, once this was taken into consideration then it is estimated that the repayment of the loans would cost rather than save the Authority money. Hence it was recommended that debt restructuring was not undertaken at that time, but that the situation would be reviewed again as part of the mid-year update.

Mid-Year Update

A loan for £330k matures on 31 December 2017, and as such is excluded from the review as this will be repaid at that time.

The level of penalty applicable on early repayment of loans has been reviewed again and now stands at £1.7m. (As previously reported the level of penalty is dependent upon two factors, the difference between the interest chargeable on the loan and current interest rates, the greater this difference the greater the penalty, and the length to maturity, the greater the remaining time of the loan the greater the penalty. Hence as interest rates increase or as loans get closer to maturity the level of penalty will reduce.)

This compares with the outstanding interest payable between now and maturity of £2.6m. Giving a gross saving of £0.9m.

Penalty incurred	£1.7m
Savings on interest payable	(£2.6m)
Net Saving	(£0.9m)

However as highlighted as part of the strategy, and referred to above, any early repayment means that cash balances available for investment will be reduced and hence interest receivable will also be reduced. The extent of which is dependent upon future interest rates.

Comparison Utilising Base Rate 0.25%

As a starting point we have assumed interest rates remain at their current level, 0.25%:-

Based on this the anticipated reduction in interest receivable, as a result of the early repayment of loans, is £0.2m. Hence the net saving by repaying loans early is £0.7m

Penalty incurred	£1.7m
Savings on interest payable	(£2.6m)
Reduction in interest receivable	£0.2m
Net Saving	(£0.7m)

This overall position can be broken down into a loan by loan analysis as follows:-

Loan Number	Loan Amount	Loan Rate	Loan Maturity	Penalty Incurred	Savings On Interest Payable	Interest Receivable Rate	Reduction In Interest Receivable	Net (Saving) /Cost
490220	330,000	4.10%	31/12/2018	17,988	(20,337)	0.25%	1,089	(1,260)
490221	330,000	4.10%	31/12/2019	31,401	(33,857)	0.25%	2,033	(423)
484844	274,000	4.75%	31/12/2020	42,482	(45,610)	0.25%	2,573	(555)
485770	250,000	4.88%	31/12/2021	50,636	(54,890)	0.25%	3,196	(1,058)
485771	250,000	4.88%	31/12/2022	60,613	(67,069)	0.25%	4,078	(2,378)
486102	360,000	4.50%	31/12/2022	80,144	(89,150)	0.25%	5,778	(3,227)
485934	400,000	4.88%	31/12/2023	111,247	(126,797)	0.25%	7,989	(7,561)
486869	330,000	4.75%	31/12/2024	99,475	(117,632)	0.25%	7,787	(10,370)
486870	330,000	4.75%	31/12/2025	108,940	(133,297)	0.25%	9,055	(15,302)
486871	330,000	4.75%	31/12/2026	116,996	(148,961)	0.25%	10,338	(21,627)
494102	650,000	4.49%	31/12/2035	309,176	(539,992)	0.25%	43,764	(187,052)
494101	650,000	4.49%	30/06/2036	315,122	(554,535)	0.25%	45,237	(194,176)
494100	700,000	4.48%	30/06/2037	347,508	(627,200)	0.25%	51,716	(227,976)
	5,184,000			1,691,728	(2,566,142)		194,633	(672,965)

This shows at current interest rates it would be financially advantageous to pay off all loans. However, using 0.25% as an interest rate forecast seems unrealistic, as all forecasts suggest that interest rates will increase in future years.

Comparison Utilising Forecast Increase in Base Rate to 0.50%

The latest indications from the Bank of England are that base rates are likely to rise to 0.50% earlier than previously anticipated; hence the calculations have been re-run utilising that. Based on this the anticipated reduction in interest receivable, as a result of the early repayment of loans, increases to £0.4m, hence the net saving by repaying loans early falls to £0.5m:-

Penalty incurred	£1.7m
Savings on interest payable	(£2.6m)
Reduction in interest receivable	£0.4m
Net Saving	(£0.5m)

This overall position can be broken down into a loan by loan analysis as follows:-

Loan Number	Loan Amount	Loan Rate	Loan Maturity	Penalty Incurred	Savings On Interest Payable	Interest Receivable Rate	Reduction In Interest Receivable	Net (Saving) /Cost
490220	330,000	4.10%	31/12/2018	17,988	(20,337)	0.50%	2,177	(172)
490221	330,000	4.10%	31/12/2019	31,401	(33,857)	0.50%	4,067	1,610
484844	274,000	4.75%	31/12/2020	42,482	(45,610)	0.50%	5,147	2,018
485770	250,000	4.88%	31/12/2021	50,636	(54,890)	0.50%	6,391	2,138
485771	250,000	4.88%	31/12/2022	60,613	(67,069)	0.50%	8,155	1,700
486102	360,000	4.50%	31/12/2022	80,144	(89,150)	0.50%	11,556	2,551
485934	400,000	4.88%	31/12/2023	111,247	(126,797)	0.50%	15,978	428
486869	330,000	4.75%	31/12/2024	99,475	(117,632)	0.50%	15,574	(2,583)
486870	330,000	4.75%	31/12/2025	108,940	(133,297)	0.50%	18,110	(6,246)
486871	330,000	4.75%	31/12/2026	116,996	(148,961)	0.50%	20,676	(11,289)
494102	650,000	4.49%	31/12/2035	309,176	(539,992)	0.50%	87,527	(143,289)
494101	650,000	4.49%	30/06/2036	315,122	(554,535)	0.50%	90,474	(148,939)
494100	700,000	4.48%	30/06/2037	347,508	(627,200)	0.50%	103,432	(176,261)
	5,184,000			1,691,728	(2,566,142)		389,265	(478,333)

This shows at a revised base rate of 0.50% it would be beneficial to pay off the longer term loans, but not those that mature in the next 6 years. However, even using an updated base rate of 0.50% as an interest rate forecast throughout the period seems unrealistic, as all forecasts suggest that interest rates will increase further in future years.

Comparison Utilising Current Gilt Rates

As such we have recalculated the net impact based on current investment returns on Gilts, available mid-September. The overall position is summarised below, showing that the anticipated reduction in interest receivable is far more significant, £1.2m, resulting in a net cost of £0.3m if all the loans were repaid:-

Penalty incurred	£1.7m
Savings on interest payable	(£2.6m)
Reduction in interest receivable	£1.2m
Net Cost	£0.3m

The position on loans maturing within the next 10 years is fairly cost neutral, a net loss of £40k, it is the longer term loans where the majority of losses would be incurred:-

Loan Number	Loan Amount	Loan Rate	Loan Maturity	Penalty Incurred	Savings On Interest Payable	Interest Receivable Rate	Reduction In Interest Receivable	Net (Saving) /Cost
490220	330,000	4.10%	31/12/2018	17,988	(20,337)	0.40%	1,729	(620)
490221	330,000	4.10%	31/12/2019	31,401	(33,857)	0.45%	3,684	1,228
484844	274,000	4.75%	31/12/2020	42,482	(45,610)	0.45%	4,663	1,535
485770	250,000	4.88%	31/12/2021	50,636	(54,890)	0.45%	5,791	1,537
485771	250,000	4.88%	31/12/2022	60,613	(67,069)	0.52%	8,400	1,945
486102	360,000	4.50%	31/12/2022	80,144	(89,150)	0.52%	11,903	2,898
485934	400,000	4.88%	31/12/2023	111,247	(126,797)	0.52%	16,457	907
486869	330,000	4.75%	31/12/2024	99,475	(117,632)	0.98%	30,525	12,368
486870	330,000	4.75%	31/12/2025	108,940	(133,297)	0.98%	35,496	11,140
486871	330,000	4.75%	31/12/2026	116,996	(148,961)	0.98%	40,525	8,560
494102	650,000	4.49%	31/12/2035	309,176	(539,992)	1.89%	330,328	99,512
494101	650,000	4.49%	30/06/2036	315,122	(554,535)	1.89%	341,450	102,037
494100	700,000	4.48%	30/06/2037	347,508	(627,200)	1.89%	390,351	110,658
	5,184,000			1,691,728	(2,566,142)		1,221,303	353,705

Comparison Utilising Current Gilt Rates

Whilst Gilts represent the safest investment, as they are backed by the Government, inter-authority fixed term investments offer a greater return, albeit they are marginally more risky, which would result in a greater net cost in early repayment, £0.7m:-

Loan Number	Loan Amount	Loan Rate	Loan Maturity	Penalty Incurred	Savings On Interest Payable	Interest Receivable Rate	Reduction In Interest Receivable	Net (Saving) /Cost
490220	330,000	4.10%	31/12/2018	17,988	(20,337)	0.95%	4,136	1,788
490221	330,000	4.10%	31/12/2019	31,401	(33,857)	0.95%	7,727	5,270
484844	274,000	4.75%	31/12/2020	42,482	(45,610)	1.00%	10,294	7,165
485770	250,000	4.88%	31/12/2021	50,636	(54,890)	1.00%	12,783	8,529
485771	250,000	4.88%	31/12/2022	60,613	(67,069)	1.25%	20,389	13,933
486102	360,000	4.50%	31/12/2022	80,144	(89,150)	1.25%	28,891	19,886
485934	400,000	4.88%	31/12/2023	111,247	(126,797)	1.25%	39,944	24,395
486869	330,000	4.75%	31/12/2024	99,475	(117,632)	1.25%	38,935	20,778
486870	330,000	4.75%	31/12/2025	108,940	(133,297)	1.25%	45,276	20,919
486871	330,000	4.75%	31/12/2026	116,996	(148,961)	1.25%	51,691	19,725
494102	650,000	4.49%	31/12/2035	309,176	(539,992)	2.37%	415,580	184,764
494101	650,000	4.49%	30/06/2036	315,122	(554,535)	2.37%	429,572	190,159
494100	700,000	4.48%	30/06/2037	347,508	(627,200)	2.37%	491,093	211,401
	5,184,000			1,691,728	(2,566,142)		1,596,310	728,712

Comparison Demonstrating Breakeven Position

As a final comparator we have calculated a breakeven position in terms of the average interest rate that would be required over the remaining life of each loan in order for early repayment costs to be fully offset:-

Loan Number	Loan Amount	Loan Rate	Loan Maturity	Penalty Incurred	Savings On Interest Payable	Interest Receivable Rate	Reduction In Interest Receivable	Net (Saving) /Cost
490220	330,000	4.10%	31/12/2018	17,988	(20,337)	0.54%	2,349	0
490221	330,000	4.10%	31/12/2019	31,401	(33,857)	0.30%	2,457	0
484844	274,000	4.75%	31/12/2020	42,482	(45,610)	0.30%	3,129	0
485770	250,000	4.88%	31/12/2021	50,636	(54,890)	0.33%	4,254	0
485771	250,000	4.88%	31/12/2022	60,613	(67,069)	0.40%	6,455	0
486102	360,000	4.50%	31/12/2022	80,144	(89,150)	0.39%	9,005	0
485934	400,000	4.88%	31/12/2023	111,247	(126,797)	0.49%	15,550	0
486869	330,000	4.75%	31/12/2024	99,475	(117,632)	0.58%	18,157	0
486870	330,000	4.75%	31/12/2025	108,940	(133,297)	0.67%	24,357	0
486871	330,000	4.75%	31/12/2026	116,996	(148,961)	0.77%	31,965	0
494102	650,000	4.49%	31/12/2035	309,176	(539,992)	1.32%	230,816	0
494101	650,000	4.49%	30/06/2036	315,122	(554,535)	1.32%	239,413	0
494100	700,000	4.48%	30/06/2037	347,508	(627,200)	1.35%	279,692	0
	5,184,000			1,691,728	(2,566,142)		867,598	0

If average interest rates throughout the remaining life of each loan are lower than the breakeven interest rates shown then it is financially advantageous to pay off the loan, if they are greater then it will cost more to pay off the loan than the net saving on interest. As an example if we look at the longest loan we have, loan 494100 maturing in 2037, interest rates would need to average less than 1.35% throughout the remaining life of the loan, i.e. the next 20 years, for it to be financially advantageous to pay this off now and incur the penalty charge. It is worth noting that other than during the current financial crisis interest rates have never been at such a low rate. If, as seems likely, interest rates prove to be higher than this then the early repayment of debt results in a worse overall financial position.

Ultimately any decision re early repayment of debt relies on future interest rates which cannot be known with any degree of certainty, hence there is always a risk that any decision will be incorrect. Paying off the debt early gives you certainty, it enables all the costs to be met in the current year, and eliminates the interest payable budget in future years, reducing the pressure on the revenue budget. The Authority has sufficient cash balances to meet any repayments costs, having set aside an earmarked reserve of £1.0m to offset a proportion of any penalty costs associated with this, with any balance being met in year.

As an alternative a series of fixed term investments could be established to mirror our debt portfolio with investment returns offsetting interest payments. Utilising Gilts in this way would generate £1.0m of interest receivable over the life of the loans, compared with interest payable of £2.5m, a shortfall of £1.5m. This is still less than the penalty being charged on early repayment, £1.7m, and is considered a risk free strategy as it is based on Government investment. An earmarked reserve could be established to offset any in year shortfall over the life of the debt, i.e. £1.5m over the next 20 years. Given we have already established a reserve of £1.0m to meet potential penalty costs associated with early repayment, we would need to transfer a further £0.5m into this reserve in order to completely offset future net interest payments. Whilst this is a viable option, the level of returns on Gilts still appears to be extremely low and hence it is still not considered an ideal solution at the present time, albeit it is still more attractive than repayment of all debt and the associated penalty.

Financial Implications

As set out in the report

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

As highlighted in the report the risk associated with any decision surrounding early repayment of debt is that the interest rate forecast on which it is based prove to be inaccurate. Ultimately this cannot be known at the time of any decision. However the risk of this has been mitigated by reviewing the latest forecasts and basing comparators on rates achievable at the present time.

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

Paper	Date	Contact
CIPFA Treasury Management Code of Practice and Guidance	November 2011	Keith Mattinson
The Department of Communities and Local Government (CLG) guidance on local authority investments	March 2010	Keith Mattinson
Treasury Management in the Public Services: Code of Practice 2011 Edition.	November 2011	Keith Mattinson
Treasury Management Strategy 2017/18	February 2017	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 September 2017

URGENT BUSINESS
THE 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL CONSULTATION PAPER

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

Executive Summary

The report sets out details of the Government's latest consultation document relating to 2018/19 Local Government Finance Settlement.

Recommendation

To agree that any response is delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

Information

The Local Government Finance Settlement is the basis by which the Government allocates out funding to individual authorities, as part of the Local Government Finance Settlement.

The Department for Communities and Local Government issued a consultation document titled "The 2018/19 local government finance settlement – technical consultation paper" on 14th September 2017, with a deadline for a response of 26 October 2017.

The proposed 2018-19 settlement is framed in the context of the overall Spending Review package.

As Members are aware the 2016-17 settlement offered local authorities a four-year settlement, giving greater certainty over their funding. The Authority was amongst the 97% of local authorities who accepted this offer. The proposed 2018-19 settlement funding is therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time.

The National Fire Chiefs Council is drafting a response to the consultation document, and it is felt there is merit in utilising that response as a basis for an individual response by the Authority. As such it is proposed that any response is delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

However in order to give Members an oversight of the issues within the consultation document, it is worth highlighting two particular areas that are relevant to the Fire Authority.

The third year of the multi-year settlement offer

The document conforms that "barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government intends to present these figures to parliament as part of the 2018-19 provisional local government finance settlement in due course."

The four-year settlement showed the Authority's funding being reduced by £5.5m (18%) over this period, although it should be noted that the majority of this reduction has occurred in the first two years of the settlement:-

		Reduction	
2015/16	£29.4m		
2016/17	£27.6m	£1.8m	6.4%
2017/18	£25.3m	£2.3m	8.2%
2018/19	£24.4m	£0.9m	3.7%
2019/20	£24.0m	£0.4m	1.4%
		£5.5m	

Hence, barring exceptional circumstances, we expect to receive £24.4m of funding in 2018/19, a reduction of £0.9m.

However, the four-year funding settlement was predicated on the Government maintaining its public sector pay cap at 1%. Any pay awards in excess of this would either require additional funding or would directly impact on future council tax levels.

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

<u>Issues to consider in any response</u>

We welcome the certainty that the four year settlement provided, and support the principle that, other than in exceptional circumstances, this will not change. However we feel that the lifting of the 1% public sector pay cap qualifies as exceptional circumstances and therefore believe that the settlement needs to take account of both this and future years pay awards, in order to ensure that local government funding, and in our case Fire Authority funding, keeps pace with pay increases.

The Fire and Rescue Services National Employers had made an offer to the Fire Brigades Union of a 2% pay increase in 2017/18 followed by a further 3% increase in 2018/19, however the 3% offer in 2018/19 was conditional upon governments across the UK providing funding to enable authorities to meet this cost. In order to put this into context for Lancashire the 2% pay award equates to an increase of £0.7m compared with the 1% budgeted cost of £0.3m, a 3% increase equates to £1.0m compared with the 1% budgeted increase of £0.3m, potentially over £1million more cost than budgeted or allowed for in the funding settlement. If funding is not increased to meet these additional costs then the entire burden will have to be met by further savings, which would potentially mean revisiting the Emergency Cover Review, or from reserves, or from council tax increases.

Whilst this offer has been rejected, it appears highly likely that any final agreement will exceed the 1% pay cap and as such we believe it is essential that additional funding is provided to meet the eventual pay awards.

Council tax referendum principles

The document outlines the following council tax referendum principles:-

- a core principle of less than 2%;
- a continuation of the Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018-19, provided that increases do not exceed 6% between 2017-18 and 2019-20;
- shire district councils would be allowed increases of less than 2% or up to and including £5, whichever is higher;
- Police precepts in the lowest quartile would be allowed increases of less than 2% or up to and including £5, whichever is higher.

This means that Fire would be limited by the general principle i.e. a council tax increase of less than 2%.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?
Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

<u>Issues to consider in any response</u>

Should greater flexibility be provided to Fire Authorities to increase council tax by a margin greater than 2%? Should this be set at £5 as per the flexibility provided to all Shire District Councils and Police precepts in the lower quartile? This flexibility would seem to be particular relevant given the uncertainty on pay awards and the breaking of the public sector pay cap referred to earlier.

It does seem to penalise Fire Authorities, who have the lowest average precept of any principal authority (£72 compared with Shire Districts of £176 and Police and Crime Commissioners of £172), by not allowing flexibility in line with other types of authorities. Whether the Authority then chooses to utilise that flexibility is a different issue, and one which would be debated as part of the budget setting process.

If greater flexibility was provided should this be limited to just those authorities who are in the lower quartile of council tax levels. Lancashire has the 8th lowest council tax out of 29 precepting authorities, is that in the lower quartile? However what is clear is that regardless of whether we are in the lower quartile our actual council tax increases have been the lowest of any authority for a number of years, only a 2.9% increase since 2011/12 and the only Fire Authority to freeze council tax for 2017/18. A similar flexibility was agreed in 2013/14, where 5 Fire Authorities increased council tax by the permitted £5, all of these Authorities still remain in the bottom quartile, but all of them have had the highest increase in council tax over the last 6 years, an average increase of 16% compared with 9% for all others. Is it right that the same flexibility is extended to the same authorities, or should it be extended to all authorities? If all Authorities face similar pressures, with pay increases being the most notable, should the flexibility be extended to all Authorities similar to the model for Shire District Councils?

Financial Implications

None at this stage, although obviously the eventual settlement and council tax referendum principles impact on the final budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

Clearly the outcome of the consultation will have an impact on our level of grant funding received in future years, and as such it is a major risk to the Authority. However, until the outcome of the consultation is known it is impossible to be more specific.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
The 2018/19 Local Government Finance Settlement – Technical Consultation Paper	September 2017	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 12

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By virtue of paragraph(s) 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 13

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

Agenda Item 14

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