

# Public Document Pack

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Thursday, 28 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 - 4)
4. EXTERNAL AUDIT - LETTER OF REPRESENTATION (Pages 5 - 10)
5. EXTERNAL AUDIT - AUDIT FINDINGS REPORT (Pages 11 - 130)
6. INTERNAL AUDIT MONITORING REPORT (Pages 131 - 138)
7. RISK MANAGEMENT UPDATE (Pages 139 - 160)
8. CONSULTATION ON AUDITOR APPOINTMENT FROM 2018/19 (Pages 161 - 164)
9. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 25 January 2018 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are:           scheduled for 22 March 2018  
  proposed for 24 July 2018 and 27 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.

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. 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

### AUDIT COMMITTEE

Thursday, 22 June 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

### MINUTES

#### PRESENT:

##### Councillors

M Tomlinson (Chairman)  
S Clarke  
S Holgate  
A Kay  
M Khan  
Z Khan (for D Smith)  
J Shedwick (Vice-Chair)

##### Officers

K Mattinson, Director of Corporate Services (LFRS)  
D Brooks, Principal Member Services Officer (LFRS)

##### In attendance

C Stead, External Audit, Grant Thornton  
J Taylor, Internal Audit, Lancashire County Council

#### 1/17 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dave Smith.

#### 2/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

#### 3/17 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 30 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 Auditing Standards, the External Auditors, Grant Thornton were required to obtain an assurance as to how those charged with governance discharged their responsibilities in connection with the risk of fraud and breaches of internal controls, as set out in their letter dated June 2017, copy considered by Members.

A response had been prepared by the Chairman of the Audit Committee which was considered by Members. It was noted that the Chairman of Resources Committee had provided a similar response in connection with the oversight of the annual accounts process and financial reporting.

RESOLVED: - That the Audit Committee approved and endorsed the submission of the response.

#### 5/17 INTERNAL AUDIT ANNUAL REPORT 2016/17

The report was presented by Judith Taylor, Senior Auditor, Lancashire County Council. The Internal Audit Annual Report summarised the work that the Internal Audit Service had undertaken during 2016/17 and the key themes arising from it. It provided an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control. It was made under the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA), with which the Internal Audit Service conforms.

On the basis of programme of work for the year, the Head of Internal Audit had provided substantial assurance over the framework of governance, risk management and control for 2016/17. It was their opinion that there was a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and the controls were generally applied consistently.

The opinion was based on the individual assurance levels provided for each of the individual audit reviews undertaken in 2016/17, detailed in the report now presented to Members.

The work of the Internal Auditor was one of the key control measures in place within the Authority. As such, the annual report provided an assurance to Members that risks were being managed and controlled, and fed the Authority's overall assessment of the internal controls that operated within the Service.

RESOLVED: - That the Audit Committee noted and endorsed the report.

#### 6/17 EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE

Members considered a report from Grant Thornton, the external auditors presented by Caroline Stead which detailed progress at June 2017 in relation to the financial statements and value for money conclusion for 2016/17. The report also set out technical matters in relation to changes to the governance framework and changes to the format of the annual accounts. In addition, the report detailed emerging issues and developments which had been identified as relevant to the sector but were not specific issues relating to the performance of this Authority.

RESOLVED: - That the Audit Committee noted and endorsed the report.

#### 7/17 ANNUAL GOVERNANCE STATEMENT 2016/17

The Authority was required to produce an Annual Governance Statement as part of the year end process for 2016/17. The Audit Committee had previously approved a revised Code of Corporate Governance, in line with guidance produced jointly by

CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives).

In order to assess the effectiveness of the Authority's current arrangements a self assessment had been undertaken by the Service's Executive Board who had considered the various sources of assurance that supported the core principles outlined in the Code of Corporate Governance, considered by Members under appendix 1 now presented. One of the key elements of this was external assurance on our systems, and this was provided by our auditors, both of whom provided positive reports, and by the previous years' Operational Assessment undertaken by Peer Review Team which found 'nothing of significance' that would cause problems.

The assessment also considered recommendations made as part of last year's Annual Governance Statement, and an update on the position in respect of these was considered by Members under appendix 2 as now presented.

The review highlighted a number of areas for further improvement and reviewed progress against recommendations made as part of last year's Annual Governance Statement. As part of the review, the Service was required to identify and disclose any significant internal control issues of which there had been none.

The overall conclusion of the Annual Governance Statement was that the system of internal controls was adequate, and that no significant governance issues had been identified.

RESOLVED: - That the Committee approve the self-assessment and the Annual Governance Statement as now presented.

#### 8/17 RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the corporate risk register had not identified any new risks which warranted inclusion on the corporate risk register.

An updated corporate risk register was considered by Members with changes summarised in the report.

RESOLVED: - That the Audit Committee noted the actions taken and endorsed the revised corporate risk register.

#### 9/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 28 September 2017 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were agreed for 25 January 2018 and 22 March 2018.

M NOLAN  
Clerk to CFA

LFRS HQ  
Fulwood

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**LANCASHIRE COMBINED FIRE AUTHORITY  
AUDIT COMMITTEE**

Meeting to be held on 28 September 2017

**EXTERNAL AUDIT – LETTER OF REPRESENTATION  
(Appendix 1 refers)**

**Contact for further information:**

Keith Mattinson – Director of Corporate Services – Telephone 01772 866804.

**Executive Summary**

As part of the year-end process the Authority is required to sign a letter of representation. This letter confirms that the Authority has disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors have been.

**Decision Required**

The Committee is asked to authorise the signing of the letter by the Chair of the Audit Committee.

**Information**

The letter of representation is attached as appendix 1 and this requires signing by the Treasurer and Chair of the Audit Committee to confirm that there are no issues that should have been brought to the attention of the auditors but which have not been.

The Treasurer has confirmed that he will sign the letter at the meeting, as there are no further issues which he feels require disclosure.

**Financial Implications**

None.

**Human Resource Risk Implications**

None.

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

None

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

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





Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

Please ask for: Keith Mattinson  
Telephone: 01772 866804  
Email: keithmattinson@lancsfireandrescue.org.uk  
Your Ref:  
Our Ref: KM/JLW  
Date: 28 September 2017

Dear Karen

**LANCASHIRE COMBINED FIRE AUTHORITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

This representation letter is provided in connection with the audit of the financial statements of Lancashire Combined Fire Authority for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of 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 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

**Headquarters**

Lancashire Fire & Rescue Service  
Garstang Road, Fulwood  
Preston  
PR2 3LH



- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Authority has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Authority involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

xxv The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 28 September 2017.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

## **LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE**

Meeting to be held on 28 September 2017

### **EXTERNAL AUDIT – AUDIT FINDINGS REPORT (Appendices 1, 2, 3, and 4 refer)**

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

#### **Executive Summary**

The external auditor is required to produce an Audit Findings Report summarising the conclusions from their work undertaken as part of the year-end audit of accounts.

The report for the financial year ended 31 March 2017 is attached which does not identify any significant issues.

#### **Recommendation**

The Committee is asked to:-

- Note the matters raised in the report;
- Note the unqualified opinion on the financial statements;
- Note the value for money conclusion;
- Note the amended Statement of Accounts.

#### **Information**

Under the statutory Code of Audit Practice for Local Government bodies our external auditor, Grant Thornton is required to issue a report to those charged with governance summarising the conclusions from their audit work.

This report, known as the Audit Findings Report, is attached as Appendix 1, and will be presented by the Audit Manager.

The main issues within the report are as follows:-

- Audit opinion - the auditor will give an unqualified opinion on the financial statement;
- Value for money – the auditors concluded that the Authority has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The auditors have identified one issue which needs to be highlighted in terms of our treatment of our share of North West Fire Control, as set out on page 14 of the Audit Findings Report. We will need to adopt this principle for future year's accounts.

The auditor has also identified three adjustments which are required in terms of misclassifications and disclosure changes as set out on page 19 of the Audit Finding Report, and these changes have been incorporated into the final statement of accounts.

In addition it is considered best practice to present the statement of accounts. This was originally approved by Resources Committee in June, and the revised accounts including the audit amendments were re-presented to the Resources Committee on 27 September for re-approval.

### **Changes made to the accounts**

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

Comprehensive Income and Expenditure Statement:

- Council tax income has been increased to reflect incorrect classification of the business rates collection fund deficit recovery;
- Non-domestic rates income has been decreased to reflect incorrect classification of the business rates collection fund deficit recovery.

Balance Sheet:

- Long Term Investments has been decreased to reflect an investment that matured within four months of the balance sheet date;
- Current Assets have been increased to reflect an investment that matured within four months of the balance sheet date.

Note 4 Employee Emoluments – disclosure note amended to correct the salary banding classifications, no change to overall totals.

Note 7 Property, Plant & Equipment – Private Finance Initiative (PFI) assets have been split out from Other Land & Buildings for both the current and comparative financial year, no change to overall totals.

Note 9 Financial Instruments – loans and receivables have been split between long term and current, in accordance with changes to the Balance Sheet.

The changes above requested by Grant Thornton following the audit were made to the accounts.

### **Audit Action Plan**

Grant Thornton has not made any recommendations following the audit, in accordance with the Audit Findings Report.

The original June Resources Committee report, together with the revised report and revised statement of accounts are attached as Appendices 2, 3 and 4 for information.

**Financial Implications**

The fee for the audit remained consistent with previous fee proposals and the current budget, £31k.

**Human Resource Risk Implications**

None

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

The report does not identify any new risk issues that the Authority needs to address.

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

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

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# The Audit Findings for Lancashire Combined Fire Authority

Year ended 31 March 2017

September 2017

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**Karen Murray**

Director

T 0161 234 6364

E karen.l.murray@uk.gt.com

**Caroline Stead**

Senior Manager

T 0161 234 6355

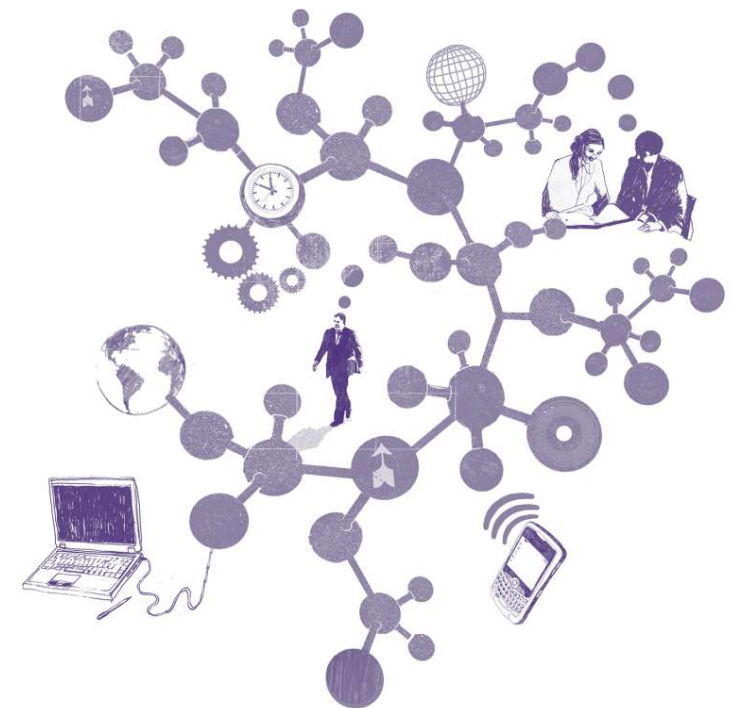
E caroline.l.stead@uk.gt.com

**Helen Shanley**

In Charge Auditor

T 0161 953 6953

E helen.shanley@uk.gt.com



Lancashire Combined Fire Authority  
Lancashire Fire and Rescue Service Headquarters  
Garstang Road,  
Fulwood,  
Preston,  
PR2 3LH

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB  
T +44 (0) 161 953 6900  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

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

**Chartered Accountants**

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## **Appendix**

A Audit opinion

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# 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

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## 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.

## 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.

### **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.

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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
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>• reviewed your entity level controls</li> <li>• reviewed your journal entry processes and selected unusual journal entries for testing back to supporting documentation</li> <li>• reviewed accounting estimates, judgements and decisions made by management</li> </ul>	<p>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.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"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
<p><b>Valuation of property, plant and equipment</b>                      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.</p> <p>This represents a significant estimate by management in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>• Reviewed the competence, expertise and objectivity of any management experts used.</li> <li>• Reviewed the instructions issued to valuation experts and the scope of their work</li> <li>• Confirmed the basis on which the valuation was carried out, challenging the key assumptions.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding.</li> <li>• Tested a sample of revaluations made during the year to ensure they were input correctly into the Authority's asset register</li> <li>• 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.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Valuation of pension net liability</b>                      The Authority's pension net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Reviewed the competence, expertise and objectivity of the actuary who carried out the pension valuation.</li> <li>• 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.</li> <li>• Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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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
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage of the Authority's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken a walkthrough of the key controls to assess whether those controls were operating in line with our documented understanding</li> <li>undertaken a trend analysis and risk identification for monthly payroll costs to confirm no unusual transactions</li> <li>reviewed the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Operating expenses</b>	<p>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.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were operating in line with our documented understanding</li> <li>Reviewed managements processes to raise accruals and to ensure the accruals recognised are materially complete</li> <li>Tested a sample of creditor balances and accruals recognised in the year end balance sheet</li> <li>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</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

"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
<b>Fire Pensions Benefits Payable</b>	Benefits improperly computed / Claims liability understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• 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).</li> <li>• Substantively tested a sample of pension benefit payments made in the year.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Changes to the presentation of local authority financial statements</b>	<p>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.</p> <p>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.</p>	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>• 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</li> <li>• reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>• tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>• tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.



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# Significant matters discussed with management

	Significant matter	Commentary
Page 28	<p>1. Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.</p>	<p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• its assets, including its share of any assets held jointly;</li> <li>• its liabilities, including its share of any liabilities incurred jointly;</li> <li>• its revenue from the sale of its share of the output arising from the joint operation;</li> <li>• its share of the revenue from the sale of the output by the joint operations; and</li> <li>• its expenses, including its share of any expenses incurred jointly.</li> </ul> <p>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.</p> <p>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.</p>

# 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	<ul style="list-style-type: none"> <li>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority’s accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts.</li> <li>Our testing of income and debtors confirmed the Authority is recognising income in line with its accounting policy.</li> </ul>	
Judgements and estimates	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>Useful life of PPE and classification of fire premises as specialised or non-specialised</li> <li>Revaluation and Impairments</li> <li>Accruals</li> <li>Valuation of pension fund net liability</li> <li>Other provisions</li> </ul> </li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the estimates and judgements made in the accounts as part of our work with no matters arising.</li> <li>reviewed the process by which management have used an external expert to provide a valuation of the Authority’s property assets</li> <li>sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts.</li> <li>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.</li> </ul>	

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**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	<p>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.</p> <p>For this reason, the Authority continue to adopt the going concern basis in preparing the financial statements.</p>	<p>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.</p>	●
<b>Other accounting policies</b>	<p>The Authority has reviewed the standard CIPFA accounting policies and adopted them as appropriate to its statement of accounts.</p>	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice.</p> <p>The Authority's accounting policies are appropriate and consistent with previous years.</p>	●

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**Assessment**



# 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee.</li> <li>We have not been made aware of any other incidents in the period.</li> <li>No other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.</li> <li>We have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation requests to your bank. This permission was granted and the request was sent.</li> <li>The request was returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> <li>Management have included some minor amendments and improvements to the statement of accounts.</li> </ul>

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## Other communication requirements continued

	Issue	Commentary
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>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.</p> <p>Work is not required as the Authority does not exceed the threshold.</p>

## 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.
Page 33 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.

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## Section 3: Value for Money

01.	Executive summary
02.	Audit findings
<b>03.</b>	<b>Value for Money</b>
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.

When 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.

### 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.

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## 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
<b>Total audit fees (excluding VAT)</b>	<b>£30,739</b>	<b>£30,739</b>

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

### 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



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## 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

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# 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.psa.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	✓	✓

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# Appendix

## A. Draft Audit Opinion

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# 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.

**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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## STATEMENT OF ACCOUNTS

2016/17

# LANCASHIRE COMBINED FIRE AUTHORITY

## STATEMENT OF ACCOUNTS 2016/17

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## 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.

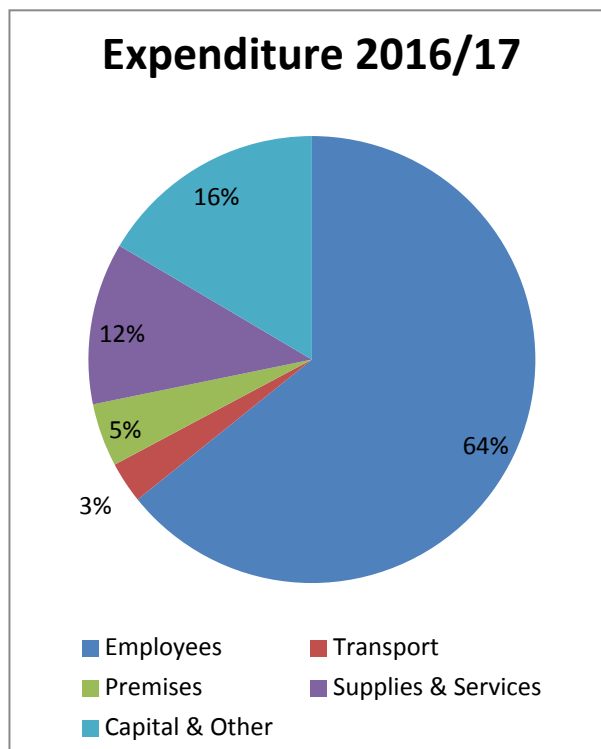
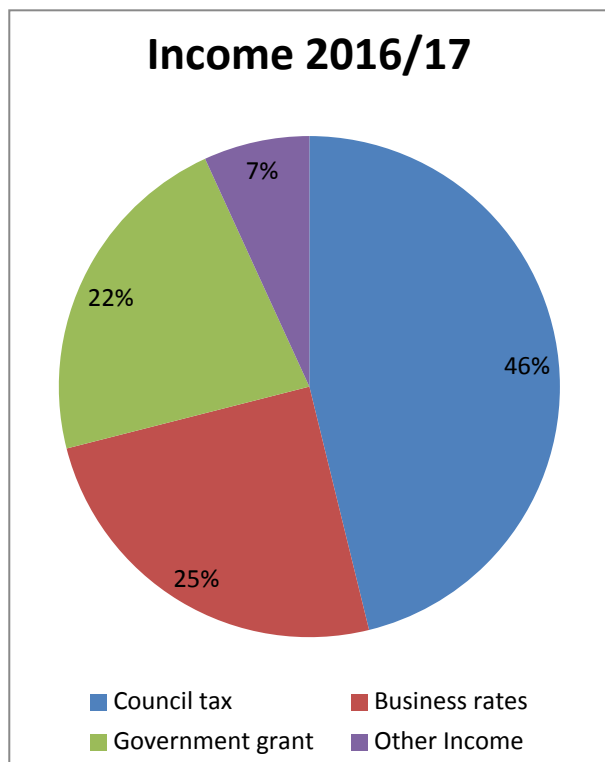
Non-financial performance has remained strong. Activity has decreased by 1.7%, and remains low at less than 15,200 incidents. Overall casualty numbers increased slightly from 49 to 51. The number of accidental dwelling fires saw an almost 10% decrease; however deliberate dwelling fires saw a marginal 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
<b>Total Expenditure</b>	<b>59,717</b>	<b>59,443</b>	<b>(274)</b>
Income	(4,094)	(4,079)	14
<b>Budget requirement</b>	<b>55,624</b>	<b>55,364</b>	<b>(260)</b>
<b>Funded by:</b>			
Council tax	(27,565)	(27,565)	(0)
Business rates	(14,840)	(14,840)	(0)
Government grant	(13,219)	(13,219)	0
	<b>(55,624)</b>	<b>(55,624)</b>	<b>(0)</b>
<b>Net Overspend</b>	<b>-</b>	<b>(260)</b>	<b>(260)</b>

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 wholtime 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
<b>Vehicles</b>	
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
<b>Operational Equipment</b>	
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
<b>Buildings</b>	
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
<b>ICT</b>	
Purchase of a replacement Community Fire Risk Management Information System	0.1
<b>Total</b>	<b>3.5</b>

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 and 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
<p>The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.</p>	<p>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.</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Quality</li> <li>• Delivery</li> </ul> <p>A number of projects have been commenced and remain in progress, such as:</p> <ul style="list-style-type: none"> <li>• Governance: data protection &amp; governance, partnership data management and privacy impact assessment</li> <li>• Quality: records management, information archive, CFRMIS data matching.</li> <li>• Delivery: SharePoint 2016, self-service GIS and active directory</li> </ul>	<p>On-going</p>	<p>Head of Service Development</p>
<p>Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations</p>	<p>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.</p>	<p>On-going</p>	<p>Clerk</p>
<p>Review partnership engagement and opportunities</p>	<p>A framework has been developed to review potential partnership arrangements utilising the following criteria:</p> <ul style="list-style-type: none"> <li>• Will it make Lancashire Safer?</li> <li>• Will undertaking the activity potentially damage our brand?</li> <li>• Does it fit with the public image of the FRS?</li> <li>• Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?</li> <li>• Is there a significant negative financial impact?</li> <li>• Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc)?</li> </ul> <p>In terms of specific work streams previously reported the following update is provided:-</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>A pilot commenced Dec 2<sup>nd</sup> 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.</p> <ul style="list-style-type: none"> <li>• Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services.</li> </ul> <p>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</p>	<p>On-going</p>	<p>Head of Service Delivery</p>

	<p>Cumbria.) and Information Sharing Agreements developed with Unitary Authorities, are viewed as key enablers in improving outcomes for vulnerable people.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Volunteer work stream is embedded with the use of volunteers in delivering Fire Cadets.</li> </ul>		
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
<p>Deliver a new model for the assurance of service delivery activities and review our station audit process</p> <p>Review our operational debrief process and incident monitoring to increase learning from incidents and improve operational performance</p>	<p>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</p> <ul style="list-style-type: none"> <li>• operational preparedness</li> <li>• operational response</li> <li>• operational learning.</li> </ul> <p>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</p>	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  
Treasurer to the Combined Fire Authority  
28 June 2017

County Councillor F DeMolfetta  
Chair of Resources Committee  
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 Expend iture £000	Gross Income £000	Net Expend iture £000	Gross Expend iture £000	Net Expend iture £000
Continuing operations:						
1&2	Service Delivery	24,594	(1,819)	22,775	28,479	(1,874)
1&2	Strategy and Planning	7,021	(403)	6,618	5,488	(299)
1&2	People and Development	1,123	-	1,123	1,022	-
1&2	Corporate Services	3,219	(57)	3,162	3,622	(62)
1&2	Fire-fighters Pensions	1,232	(4)	1,228	1,158	(2)
1&2	Overheads	8,749	(1,796)	6,953	6,609	(2,181)
1&2	Net Cost of Services	45,938	(4,079)	41,859	46,379	(4,417)
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				<b>114,875</b>		<b>(36,768)</b>

**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	-
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	
	<b>Long Term Assets</b>		
7	Property, Plant & Equipment	88,223	81,134
8	Intangible Assets	228	299
9	Long-Term Investments	5,000	10,000
		<u>93,451</u>	<u>91,433</u>
	<b>Current Assets</b>		
	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
		<u>45,034</u>	<u>37,293</u>
	<b>Current Liabilities</b>		
9	Short Term Borrowing	(333)	(253)
9	Other Short Term Liabilities	(335)	(271)
12	Short Term Creditors	(6,376)	(6,185)
		<u>(7,044)</u>	<u>(6,709)</u>
	<b>Long Term Liabilities</b>		
13	Provisions	(1,763)	(2,129)
9	Long Term Borrowing	(5,243)	(5,580)
14	Other Long Term Liabilities	(811,285)	(686,284)
		<u>(818,291)</u>	<u>(693,993)</u>
	<b>Net Liabilities</b>		
		<u>(686,850)</u>	<u>(571,976)</u>
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	<b>Usable Reserves:</b>	<u>(36,540)</u>	<u>(33,968)</u>
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	<b>Unusable Reserves:</b>	<u>723,390</u>	<u>605,944</u>
	<b>Total Reserves</b>	<u>686,850</u>	<u>571,976</u>

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.

## 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
<b>Net cash flows from Operating Activities</b>		<b>5,750</b>		<b>9,175</b>
<u>Investing activities</u>				
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)	
<u>Financing activities</u>				
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)	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>499</b>		<b>2,829</b>
11 Cash and cash equivalents at the beginning of the reporting period		28,562		25,733
11 <b>Cash and cash equivalents at the end of the reporting period</b>		<b>29,061</b>		<b>28,562</b>

**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.

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	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	
<b>Gross Expenditure</b>				
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)	-	-
<b>Gross Expenditure</b>	<b>46,379</b>	<b>-</b>	<b>46,379</b>	
<b>Gross Income</b>				
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	-	-	-	-
<b>Gross Income</b>	<b>(4,417)</b>	<b>-</b>	<b>(4,417)</b>	

Lancashire Combined Fire Authority  
Statement of Accounts 2016/17

	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	
<b>Net Expenditure</b>				
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)	-	-
<b>Net Expenditure</b>	<b>41,963</b>	<b>-</b>	<b>41,963</b>	

\* 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.

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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.



Lancashire Combined Fire Authority  
Statement of Accounts 2016/17

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
<b>Net cost of Services</b>	<b>55,557</b>	<b>(193)</b>	<b>55,364</b>	<b>(13,505)</b>	<b>41,859</b>
Other income and expenditure	(55,623)	-	(55,623)	24,046	(31,577)
<b>Surplus on provision of services</b>	<b>(67)</b>	<b>(193)</b>	<b>(260)</b>	<b>10,541</b>	<b>10,281</b>
Opening General Fund balance			(10,186)		
Less: Deficit on provision of services			(260)		
Closing General Fund balance			<u>(10,445)</u>		

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
<b>Net cost of Services</b>	<b>57,491</b>	<b>(43)</b>	<b>57,448</b>	<b>(15,485)</b>	<b>41,963</b>
Other income and expenditure	(56,969)	-	(56,969)	20,721	(36,249)
<b>Deficit on provision of services</b>	<b>521</b>	<b>(43)</b>	<b>478</b>	<b>5,236</b>	<b>5,714</b>
Opening General Fund balance			(10,664)		
Less: Deficit on provision of services			478		
Closing General Fund balance			<u>(10,186)</u>		

**2a Note to the Expenditure and Funding Analysis**

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Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts <b>2016/17</b>	Transfer to/(from) Earmarked Reserves £000	<b>Total to arrive at amount charged to the General Fund £000</b>	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	<b>Total adjustment between funding and accounting basis £000</b>
Service Delivery	-	-	-	(11,368)	14	<b>(11,354)</b>
Strategy and Planning	-	-	-	(1,309)	(24)	<b>(1,332)</b>
People and Development	-	-	-	11	-	<b>11</b>
Corporate Services	-	-	-	(215)	-	<b>(215)</b>
Firefighters Pensions	-	-	-	-	-	<b>-</b>
Overheads	(193)	<b>(193)</b>	222	514	(1,350)	<b>(615)</b>
<b>Net cost of Services</b>	<b>(193)</b>	<b>(193)</b>	<b>222</b>	<b>(12,367)</b>	<b>(1,360)</b>	<b>(13,505)</b>
Other income and expenditure	-	-	-	23,275	771	<b>24,046</b>
<b>Total</b>	<b>(193)</b>	<b>(193)</b>	<b>222</b>	<b>10,908</b>	<b>(589)</b>	<b>10,541</b>
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts <b>2015/16</b>	Transfer to/(from) Earmarked Reserves £000	<b>Total to arrive at amount charged to the General Fund £000</b>	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (note 3) £000	<b>Total adjustment between funding and accounting basis £000</b>
Service Delivery	-	-	-	(10,459)	200	<b>(10,259)</b>
Strategy and Planning	-	-	-	(605)	(232)	<b>(836)</b>
People and Development	-	-	-	(60)	-	<b>(60)</b>
Corporate Services	-	-	-	(182)	-	<b>(182)</b>
Firefighters Pensions	-	-	-	-	-	<b>-</b>
Overheads	(43)	<b>(43)</b>	254	(2,480)	(1,921)	<b>(4,148)</b>
<b>Net cost of Services</b>	<b>(43)</b>	<b>(43)</b>	<b>254</b>	<b>(13,786)</b>	<b>(1,953)</b>	<b>(15,485)</b>
Other income and expenditure	-	-	(2,992)	22,019	1,693	<b>20,721</b>
<b>Total</b>	<b>(43)</b>	<b>(43)</b>	<b>(2,738)</b>	<b>8,233</b>	<b>(260)</b>	<b>5,236</b>

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
	<u>260</u>	<u>267</u>

\* 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
	<u>46</u>	<u>42</u>

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.

<b>Post holder information (post title and name)</b>	<b>Salary</b>	<b>Allowances (estimated based on 2015/16 figures)</b>	<b>Total Remuneration excluding pension contributions</b>	<b>Pension contributions accrued at the standard employer rate for all senior officers</b>	<b>Total Remuneration including pension contributions</b>
<b>2016/17</b>					
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
	<b>611,917</b>	<b>5,180</b>	<b>617,097</b>	<b>96,037</b>	<b>713,133</b>

<b>Post holder information (post title and name)</b>	<b>Salary</b>	<b>Allowances Restated*</b>	<b>Total Remuneration excluding pension contributions</b>	<b>Pension contributions accrued at the standard employer rate for all senior officers</b>	<b>Total Remuneration including pension contributions</b>
<b>2015/16 – Restated*</b>					
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
	<b>601,728</b>	<b>5,279</b>	<b>607,008</b>	<b>94,513</b>	<b>701,520</b>

\* 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		2015/16	
	Number of departures agreed	Total cost of exit packages in each band £000	Number of departures agreed	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	-	-	-	-
	<b>1</b>	<b>7</b>	<b>4</b>	<b>61</b>

**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.

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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:

<b>Movement during the year</b>	<b>Other Land &amp; Buildings £000</b>	<b>PFI Assets £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or valuation</b>					
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
<b>Depreciation and impairments</b>					
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
<b>Nature of asset holding</b>					
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).

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The comparative figures detailing the movement during 2015/16:

<b>Movement during the year</b>	<b>Other Land &amp; Buildings</b> Restated £000	<b>PFI Assets</b> Restated £000	<b>Vehicles, Plant &amp; Equipment</b> £000	<b>Surplus Assets</b> £000	<b>Assets Held for Sale</b> £000	<b>Total Property, Plant &amp; Equipment</b> £000
<b>Cost or valuation</b>						
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
<b>Depreciation and impairments</b>						
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
<b>Nature of asset holding</b>						
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 £000	2015/16 £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	<u>14,906</u>	<u>15,237</u>
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(331)	(485)
	<u>(331)</u>	<u>(485)</u>

### 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.

<b>Movement during</b>	2016/17 £000	2015/16 £000
<b>Cost or valuation</b>		
At 1 April	1,391	1,272
Additions	60	118
As at 31 March	1,451	1,391
<b>Amortisation &amp; impairment</b>		
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
	£000	£000	£000	£000
<u>Investments</u>				
Loans and receivables	5,000	10,000	5,000	-
<u>Debtors</u>				
Financial assets carried at contract amounts	-	-	51	56
<u>Borrowings</u>				
PWLB Borrowings at amortised cost	5,243	5,580	333	253
<u>Other Long Term Liabilities</u>				
PFI and finance lease liabilities	14,316	14,688	335	271
<u>Creditors</u>				
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	2015/16	2016/17	2015/16
	£000	£000	£000	£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	Fair Value	Amortised Cost	Fair Value
	£000	£000	£000	£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

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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
	<u>5,514</u>	<u>5,764</u>

**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
	<u>10,745</u>	<u>8,533</u>

**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
	<u>29,061</u>	<u>28,562</u>

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
	<u>6,376</u>	<u>6,185</u>

### 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 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £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 £000	2015/16 £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
	<u>811,285</u>	<u>686,284</u>

**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
<b>Total</b>	<b>16,653</b>	<b>14,519</b>	<b>19,983</b>	<b>51,154</b>	<b>34,340</b>

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

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

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 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £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 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £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
		<u>52,111</u>	<u>100.0</u>	<u>44,027</u>	<u>100.0</u>

### 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:

<b>Local Government Pensions Scheme (LGPS):</b>	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
<b>Firefighters Pension Scheme:</b>	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
<b>Total of LGPS and Fire Pension Schemes:</b>	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
<b>Total Unusable Reserves</b>	<u>723,390</u>	<u>605,944</u>

**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
	<u>(36,957)</u>	<u>(28,480)</u>

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.

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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		<u>(36,762)</u>		<u>(37,868)</u>

**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)
	<u>796,969</u>	<u>671,596</u>

**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	<u>(734)</u>	<u>(792)</u>	<u>70</u>	<u>727</u>	<u>(664)</u>	<u>(65)</u>



### 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	<u>804</u>	<u>761</u>

## 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.

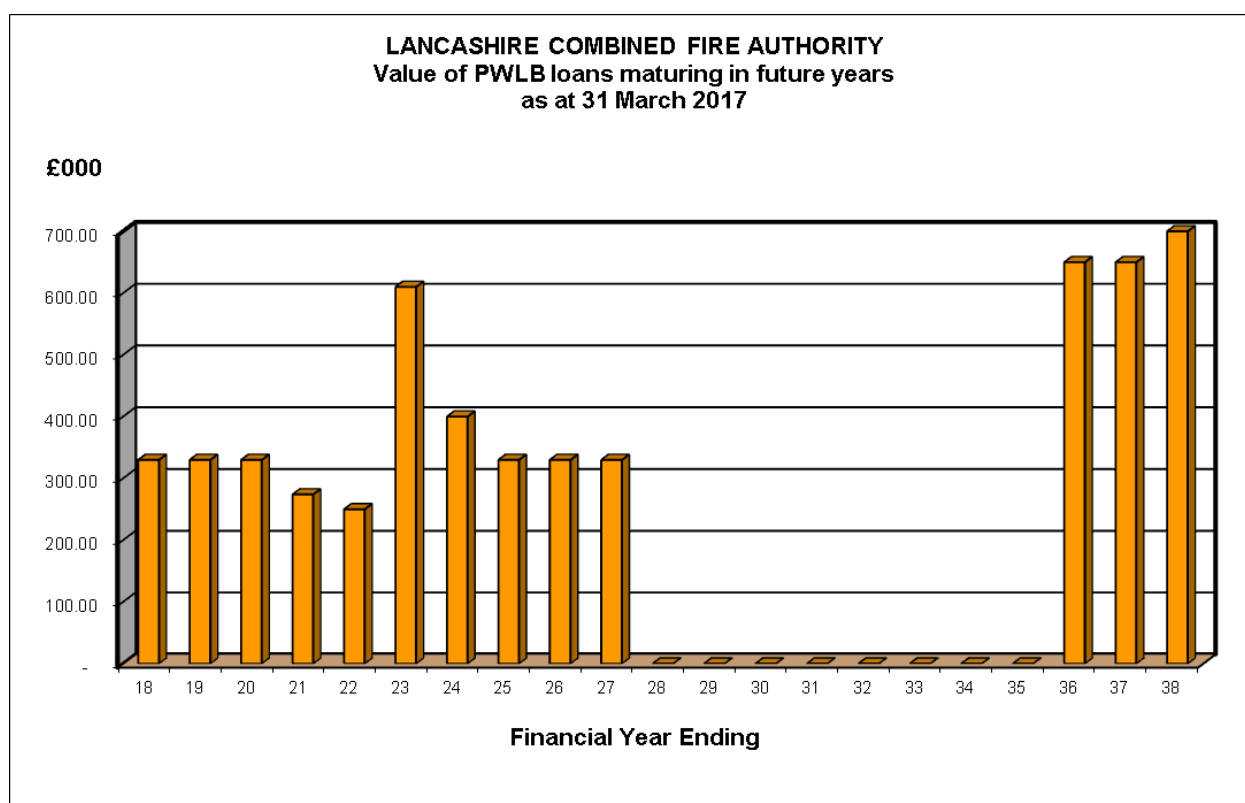
The past due amount can be analysed by age as follows:

	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
	<hr/> <hr/>	<hr/> <hr/>
	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 £000	2015/16 £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
	<u>14,538</u>	<u>13,390</u>

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

	2016/17 £000	2015/16 £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: <ul style="list-style-type: none"> <li>• Discount rate – decrease of £15.2m</li> <li>• Inflation rate – increase of £14.7m</li> <li>• Pay growth – increase of £1.6m</li> </ul> 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.

#### **I 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

Lancashire Combined Fire Authority  
Statement of Accounts 2016/17

- 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**

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



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.

#### Contribution Rates

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.

#### Benefits Paid

Pensions are paid to retired officers, their survivors and others who are eligible for benefits under new and existing pension schemes.

#### Home Office Grant

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.

#### Future Liabilities

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.

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**LANCASHIRE COMBINED FIRE AUTHORITY  
RESOURCES COMMITTEE**

Meeting to be held on 28 June 2017

**STATEMENT OF ACCOUNTS 2016/17  
(Appendix 1 refers) (NOT ATTACHED)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

**Executive Summary**

This report presents the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2017.

**Recommendation**

The Committee is asked to approve the Statement of Accounts.

**Information**

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

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

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

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

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

The Statement of Accounts is placed on deposit for public inspection from Monday 19<sup>th</sup> June until Friday 21<sup>st</sup> July.

## Overview of the Statement of Accounts

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

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

### Narrative Report

Sets out the financial context in which the Combined Fire Authority operates, and provides an overview of the financial year 2016/17 as well as details of future plans.

### Annual Governance Statement

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

### Auditors Report and Opinion

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

### Statement of Responsibilities

This sets out the responsibilities of the Authority and the Treasurer in terms the overall management of the Authorities finances and in terms of the production of the annual accounts.

### Comprehensive Income & Expenditure Account

This statement shows the accounting cost in the year of providing services. It is a summary of the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The format of this statement has changed since last year end to reflect reporting to management during the year, and the comparative years figures have been restated to reflect this change (see Note 1 – Prior Period Adjustment, page 23).

The main points to note are: -

	2016/17	2015/16	
Service Delivery	22,775	26,605	The cost of Service Delivery shows reductions when compared with the previous year, largely the result of both the outcome of the Prevention and Protection Review which transferred 42 technical fire safety staff into the Strategy and Planning Directorate, plus underspends on the smoke detectors budget and the adjustment required in respect of pension liabilities under IAS 19.

Strategy & Planning	6,618	5,189	The cost of Strategy and Planning shows an increase when compared with the previous year, the effect of the transfer of the technical fire safety staff referred to above, in addition to the adjustment required in respect of pension liabilities under IAS 19.
People & Development	1,123	1,022	The cost of People and Development shows an increase when compared with the previous year, which is predominantly due to the adjustment required in respect of pension liabilities under IAS 19.
Corporate Services	3,162	3,561	The cost of Corporate Services shows reductions when compared with the previous year, largely as a result of reduced spend within the Property Department.
Fire Fighters Pensions	1,228	1,156	These costs are the ongoing pension costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	6,953	4,429	This heading includes all capital financing charges, previous payments made in respect of the LGPS deficit, and depreciation and impairment charges made in respect of assets. The increase in Overheads largely relates to the increase in the amount of depreciation and impairment charged, which reflects the effect of previous revaluation gains.
Interest Payable	1,674	1,704	The level of interest payable in respect of current loans is £0.3m as shown in the Year End Treasury Management Outturn report. In addition to this interest charges associated with the PFI scheme and finance leases totalled £1.4m, in line with the previous years charges.
Pension Interest Cost And Expected Return On Assets	23,275	22,019	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pension scheme is unfunded there is no increase in asset value to offset the increase in scheme costs is resulting in a £23.3m charge to the Income and Expenditure Account.
Interest Receivable	(304)	(367)	The level of interest earned on investments has reduced to £0.3m, due to a 0.25% reduction in the call account interest rate at the start of August, as reflected in the Year End Treasury Management Outturn report.

Council Tax	(27,506)	(27,184)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Revenue Support Grant	(13,218)	(15,210)	The level of Revenue Support Grant allocated to the Authority by the Government.
Non-Domestic Rates Redistribution	(15,050)	(13,739)	Amounts raised through non domestic rates, including the Authority's element of business rates collection fund surplus accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part of the localisation of business rates. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Capital Grant Income	-	(3,002)	This shows the level of capital grants, received from the Government during the year.
Business rates S31 grant	(447)	(480)	This grant is allocated to the Authority by the Government, and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Deficit On The Provision Of Services	10,281	5,714	The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months, and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pensions schemes. As such this does not show the actual surplus when comparing spend against council tax.
(Surplus)/Deficit On Revaluation Of Non-Current Assets	(9,871)	(7,021)	This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.
Actuarial (Gains)/ Losses On Pensions Assets And Liabilities	114,465	(35,461)	This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.



Total Comprehensive Income And Expenditure	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation. As such in order to aid understanding the following table shows the comparison between the revenue budget position, as set out in the Year End Revenue Outturn report, and the Total Comprehensive Income And Expenditure figure.	
		£m
	Revenue Budget Position	(0.067)
	Transfer from earmarked reserve – DFM balances	(0.193)
	Increase in general fund balance – agrees to	(0.260)
	Movement In Reserves Statement	
	Accounting for pensions under IAS19	10.908
	Various other adjustments not affecting council tax	3.877
	Removal of transfers (to)/from earmarked reserves	(4.244)
	Deficit on the provision of services	10.281
	Surplus on revaluation of non-current assets	(9.871)
	Actuarial loss on pensions assets and liabilities	114.465
	<b>Total Comprehensive Income And Expenditure</b>	<b>114.875</b>

#### Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into:-

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

The main points to note are:-

	2016/17	2015/16	
Balance at 1 April	10,186	10,664	
Total Comprehensive Income And Expenditure	(10,281)	(5,714)	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. However it must be borne in mind that this is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report.

Charges for depreciation and impairment of non-current assets	6,209	3,538	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year.
Amortisation of intangible assets	131	134	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year.
Disposal of assets	-	(84)	The charge in the previous year relates to the revaluation loss on disposal of Chorley Fire Station.
Capital grants applied	-	(3,002)	This shows the level of capital grants that have been utilised in the year, these were received from the Government last year, hence no charge against the General Fund Balance.
Provision for the repayment of debt	(331)	(485)	This is the charge made against the revenue budget to reduce future borrowing requirements, calculated in accordance with the methodology agreed as part of the Authorities Treasury Management Strategy 2016/17 and budget setting 2016/17.
Capital expenditure charged against General Fund Balance	(1,534)	(2,850)	This is the level of capital expenditure, both current and future years, which has been funded from contributions from the 2016/17 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Amount by which the Code and the statutory pension costs differ	10,908	8,233	This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
Amount by which collection fund income in the comprehensive income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements	(599)	356	This shows the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the amount collection authorities have actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate, the deficit in 2016/17 reflecting the fact that authorities have collected more business rates than anticipated.

Net increase/decrease before transfers to earmarked reserves	4,503	126	This shows the statutory General Fund Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from earmarked reserves	10	(385)	These represents the transfers to specific earmarked reserves referred to in the Year End Revenue Outturn report.
Transfers (to)/from capital funding reserves	(4,296)	(231)	These represents the transfers to the capital funding reserve referred to in the Year End Revenue Outturn report and to the capital funding reserve referred to in the Year End Capital Outturn report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	43	11	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the increase in the amount of leave owing to staff as at year end.

Increase/Decrease in the year	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don't affect council tax and any transfers to/from earmarked reserves. The following table sets out the changes from the surplus of the revenue outturn report to the figure reported here		
		2016/17 £m	2015/16 £m
	Revenue Budget Position	0.067	(0.521)
	Transfer from earmarked reserves & DFM balances	0.193	0.043
	Surplus/(Deficit) on provision of services	0.260	(0.478)
	The movement on earmarked reserves ties in to the Year End Revenue Outturn report.		
		2016/17 £m	2015/16 £m
	Transfer from earmarked reserves	(1,870)	0.323
	Transfer from earmarked reserve – DFM balances	(0.193)	(0.043)
		(2.063)	0.280
	The net increase on the capital funding reserves (£6.349m), and the net decrease in capital grant unapplied (£1.974m) agree to the Year End Capital Outturn report.		

Balance at 31 March carried forwards	10,446	10,186	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie in to the values shown in the Year End Revenue and Capital Outturn reports.
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### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

The main points to note are: -

	2016/17	2015/16	
<b>Long Term Assets</b>			
Property, Plant & Equipment	88,223	81,134	The value of property, plant & equipment has increased by £7.1m, due to the level of capital expenditure (£3.5m as shown in the Year End Capital Outturn report) and the net revaluation gains of £8.4m compared with depreciation charges of £4.7m.
Intangible assets	228	299	Intangible assets are assets which do not have a physical form, such as software, which are broadly in line with last year, representing the level of capital expenditure less amortisation of these assets, reflecting their use.
Long Term Investments	10,000	10,000	The Authority holds two investments with Local Government bodies which are classed as long term investments, ie over 3 months in duration.
<b>Current Assets</b>			
Assets Held for Sale	21	-	The book value of the surplus plot of land at Penwortham, which has since been sold.
Inventories	206	198	The value of stock held has remained broadly in line with last year.
Short-Term Debtors	10,746	8,533	Debtors represent monies owed to the Authority on 31st March 2017. In order to improve cash flow this figure should be as low as possible, however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The level of debtors at the year-end has increased by £2.2m, the majority of which reflects the increase in the amount owed to the Authority by the FF pension fund in the form of top up grant due during July 2017.

Cash & Cash Equivalents	29,061	28,562	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report.
<b>Current Liabilities</b>			
Short-Term Borrowing	(333)	(253)	This shows the borrowing and interest due to be repaid within the next 12 months, which simply reflects the maturity dates of loans previously taken out.
Other Short-Term Liabilities	(335)	(271)	This relates to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short term element of finance leases.
Short-Term Creditors	(6,376)	(6,185)	This figure represents the amount of money we owe to other bodies at 31st March 2017. The overall balance is broadly in line with last year.
<b>Long Term Liabilities</b>			
Provisions	(1,763)	(2,129)	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the potential costs associated with Retained Fire-fighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms, and also the Authorities share of billing authorities business rates outstanding appeals.
Long-Term Borrowing	(5,243)	(5,580)	The Authority has £5.2m of borrowing which is due for repayment between 1 April 2018 and 30 June 2037 which has historically been used to fund capital investment, as referred to in the Year End Treasury Management Outturn report. The balance on this account relates to accrued interest owed at the end of the financial year, which will be paid in line with agreed payment dates.
Other Long-Term Liabilities	(811,285)	(686,284)	This majority of this relates to adjustments required under IAS 19, and shows the extent to which the authorities liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £797m.

			<p>This also includes liabilities covering the remainder of the contract associated with the two PFI contracts;</p> <ul style="list-style-type: none"> <li>• PFF Lancashire Ltd for the provision of two fire stations,</li> <li>• Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside.</li> </ul> <p>In addition, this also includes liabilities relating to an outstanding finance lease.</p>
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<b>Financed By</b>			
<b>Usable Reserves:</b>			
Revenue Reserves	(17,901)	(19,704)	This is the level of reserves, £17.9m, that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves as referred to in the Year End Revenue Outturn report.
Capital Funding Reserve	(16,633)	(10,284)	This reserve holds £16.6m of balances to fund future capital expenditure.
Capital Grant Unapplied	(505)	(2,479)	This reserve holds the remaining balance of the unspent capital grant received in 2015/16, which will be spent during 2017/18.
Usable Capital Receipts Reserve	(1,501)	(1,501)	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. To class as capital receipts the value of the sale must exceed £10,000.
<b>Unusable Reserves:</b>			
Revaluation Reserve	(36,957)	(28,480)	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Capital Adjustment Account	(36,762)	(37,868)	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.

Pensions Reserve	796,969	671,596	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
Collection Fund Adjustment Account	(664)	(65)	This account reflects the net effect of the adjustments required to show our share of each billing authority's council tax and business rates debtors and creditors at year end, in our case this shows a surplus of £664k.
Accumulated Absences Adjustment Account	804	761	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position.

#### 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 main points to note are:-

	2016/17	2015/16	
Net Cash Flows Arising From Operating Activities	5,750	9,175	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc, offset by payments made in respect of employee costs and non pay costs etc.
Investing Activities	(3,081)	(4,143)	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as £3.5m of expenditure on capital assets, which are referred to in the Year End Capital Outturn report.
Financing Activities	(2,170)	(2,203)	This shows cash flows relating to borrowing activities, in our case £0.3m, which equates to the repayment of borrowing in respect of PFI and finance lease arrangements, but which is included in the overall charges against the revenue budget in respect of these assets, and in addition the actual level of interest payments made during the year.

Cash and cash equivalents at the end of the reporting period	29,061	28,562	This shows the net cash immediately available within the Authority in a call account with LCC. The increase in value of £0.5m is less than the previous years' net increase.
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### Notes To The Core Financial Statements

These provide more detailed notes to the figures contained within the core financial statements of the accounts.

Note 2 to the accounts, the Expenditure and Funding Analysis (on pages 24 to 27) provides a link between the statement of accounts Comprehensive Income and Expenditure Statement and the financial monitoring reports presented to Resources throughout the year.

Included within this section are the Accounting Policies (note 29) that have been adopted by the Authority and used in order to produce the set of accounts, and indicates compliance with relevant codes of practice.

As in previous years the accounts have been prepared taking account of International Accounting Standard (IAS) 19, which requires all future costs of retirement benefits to be recognised in the accounts in the year in which they are earned by the employee, regardless of when they will be paid. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £797m. However, it should be noted that this requirement is a technical accounting requirement and does not impact on the authority's income or expenditure funded from its cash resources, or on the council tax payers of Lancashire.

### Fire Fighters Pension Fund

This statement on page 64 sets out the income and expenditure attributable to the fire fighters pension fund, showing that the CLG owes the Authority a further £4.3m in order to balance the account to nil, and reflects the changes to pensions funding arrangements.

### Glossary of Terms

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

### **Financial Implications**

As outlined in the report

### **Business Risk Implications**

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



**Environmental Impact**

None

**Equality and Diversity Implications**

None

**Human Resource Implications**

None

**Local Government (Access to Information) Act 1985**

**List of Background Papers**

Paper	Date	Contact
SORP and Guidance	February 2017	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	May 2017	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		



# Agenda Item 4

## 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) (NOT ATTACHED)

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**

<b>Paper</b>	<b>Date</b>	<b>Contact</b>
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:		

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Meeting to be held on 28 September 2017

### INTERNAL AUDIT MONITORING REPORT (Appendix 1 refers)

#### Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

#### Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2017/18.

#### Decision Required

The Committee is asked to note/endorse the report.

#### Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to September 2017 is attached as Appendix 1, and will be presented by the Head of Internal Audit.

#### Financial Implications

None

#### Human Resource Implications

None

#### Equality and Diversity Implications

None

#### Business Risk Implications

None

#### Environmental Impact

None

**Local Government (Access to Information) Act 1985**

**List of Background Papers**

Paper	<u>Date</u>	Contact
None		
Reason for inclusion in Part II, if appropriate:		

**Appendix 1**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**28 September 2017**

## **1 Purpose of this report**

- 1.1 The Annual Audit Plan for 2017/18 was approved by the Audit Committee in March 2017. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2017 to 28 September 2017.

### ***Acknowledgements***

- 1.3 We are grateful for the assistance that has been provided to us by all the staff contacted in the course of our work.

## **2 Key issues and themes arising during the period**

- 2.1 No assurance work has been completed to date in relation to the 2017/18 audit programme.

## **3 Internal audit work undertaken**

- 3.1 Work carried out during the period 1 April 2017 to 28 September 2017 was in accordance with the agreed audit plan. To date, 5 days have been spent this financial year on completion of the 2017/18 plan, equating to 6% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 7 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2016/17 audit plan. The findings from these reviews were reported in our 2016/17 Annual Report presented to the Audit Committee in June.

### ***Key Financial Systems***

- 3.3 Our audit of the Accounts Payable, Accounts Receivable and General Ledger systems has been planned and dates agreed with client management for the completion of fieldwork. There are no proposed changes to the scope of our work compared to what has been conducted in previous years.
- 3.4 Similarly, we have scoped our review of Treasury management arrangements, which additionally has been agreed with the Director of Corporate Services.

### ***Operational reviews***

- 3.5 No formal scoping has been completed to date on any of the intended reviews, although an outline timetable for our work is presented in the table on pages 3 and 4.

### ***Overall summary and assurance provided***

- 3.6 We have set out in the table on the following pages a brief summary of the position of each review during the period. This sets out the planned and actual days we have spent on each review to date.
- 3.7 We will provide a summary of the assurance we are able to provide in relation to each system or operational area of your business when work has been finalised.
- 3.8 ***System adequacy:*** We define a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.



**System effectiveness:** We define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

- 3.9 The assurance we provide over any area of control falls into one of four categories and these are defined at Appendix 1.

***Use of this report***

- 3.10 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Lancashire Combined Fire Authority  
 Internal Audit Service  
 Monitoring report for the period ended 28 September 2017

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Governance and business effectiveness</b>						
Governance and risk management arrangements	0	0	0	-	-	Assurance in relation to governance and risk management arrangements will be obtained on an ongoing basis.
<b>Service delivery and support</b>						
Training, learning and development	10	0	10	-	-	Work is scheduled to start in quarter 4.
Rota management	10	0	10	-	-	Work is scheduled to start later in quarter 3.
<b>Business processes</b>						
Accounts payable	10	1	9	-	-	These assignments are completed at the same time and a composite report will be produced. The scope of the audits have been agreed and work is scheduled to start on site at the end of October. No changes proposed to the scope of previous years.
Accounts receivable	5	0.5	4.5	-	-	
General ledger	5	0.5	4.5	-	-	
HR and Payroll	12	0	12	-	-	The audit is scheduled for late quarter 3. We have been asked to include within the scope of this work, the on-line expenses system including the financial monitoring arrangements.

Lancashire Combined Fire Authority  
 Internal Audit Service  
 Monitoring report for the period ended 28 September 2017

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Treasury management	5	0.5	4.5	-	-	The scope of the audit has been agreed with the Director of Corporate Services, with work scheduled for late quarter 3.
Pensions administration	5	0	5	-	-	Work scheduled to start late quarter 3.
<b>Follow up audit activity</b>						
<ul style="list-style-type: none"> <li>• Absence management</li> <li>• Tranman stores</li> <li>• Tranman fleet</li> <li>• Service Delivery Assurance Team</li> </ul>	6	0	6	-	-	Work scheduled to start late quarter 4.  We will obtain assurance from both management self-assessment and our own selective test checking, that controls have been introduced that appropriately mitigate the risks identified.
<b>Other components of the audit plan</b>						
Management activity	10	2.5	7.5	N/A	N/A	Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring report, and attendance at the June and September meetings of the Audit Committee.
National Fraud Initiative	2	0	2	N/A	N/A	No time spent this period.
<b>Total days</b>	<b>80</b>	<b>5</b>	<b>75</b>			

## **Audit assurance levels**

## **Appendix 1**

The assurance we can provide over any area of control falls into one of four categories as follows:

**Full assurance:** there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

**Substantial assurance:** there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

**Limited assurance:** weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

**No assurance:** weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Meeting to be held on 28 September 2017

### RISK MANAGEMENT

(Appendix 1 refers)

#### Contact for further information:

Keith Mattinson – Director of Corporate Services– telephone 01772 866804.

#### Executive Summary

The report highlights action taken in respect of corporate risk since these were last reported to the Audit Committee.

#### Decision Required

The Committee is asked to note the actions taken and endorse the revised corporate risk register.

#### Information

##### New Risks

The latest review of the corporate risk register has identified three new risks which warrant inclusion on the corporate risk register:-

##### Risk 21 Risk of rapid external fire spread in high rise premise resulting in a major incident

- Controls in place:

All high rise residential premises have been audited, in conjunction with relevant Local Authority. Only one building found with ACM cladding panel, this was on a 6 storey section of building (top section), which is being managed locally to limit the risk this presents.

An on-going risk based inspection plan has been agreed based on following priority order:

- High rise Purpose flats;
- High rise sleeping;
- High rise hospitals;
- High rise schools;
- High rise commercials;
- Hospital non- high rise;
- School non-high rise;
- other.

Community reassurance visits undertaken.

Temporarily amend PDA to high rise to include an ALP.

- Risk Score:  
This scores as a medium risk, 10.
- Actions outstanding:  
Complete inspection programme. Update relevant SSRIs. Review amendment to PDA in light of further information from the Grenfell Inquiry.

Risk 22 Failure to maximise collaborative opportunities presented by Policing and Crime Act

- Controls in place:  
Well-developed relationships with Lancashire Constabulary and NWAS;  
Regular meetings to discuss issues/opportunities;  
Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc.
- Risk Score:  
This scores as a medium risk, 9.
- Actions outstanding:  
Statement of Intent to be agreed between LFRS and Lancashire Constabulary Areas for further review to be agreed;  
Further roll out of EMR is dependent upon outcome of national pay negotiations.

Risk 23 Lack of leadership capacity impacting on delivery of services

- Controls in place:  
Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile;  
Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap;  
Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent;  
Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc;  
Coaching and mentoring system introduced;  
Action Learning Sets introduced;  
Leadership Conferences delivered April 2017 with the second being planned for October 2017;  
Promotion Board in place with clear development and promotion pathways established for operational staff.
- Risk Score:  
This scores as a medium risk, 9.

- Actions outstanding:
  - Deliver second leadership conference;
  - Deliver a leadership development programme to operational and support managers;
  - Develop and deliver an apprentice strategy.

### Existing Risks

Of the existing risks 1 has been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below:-

		Update since last meeting	Proposed Risk Score	
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	No change, not due to report till 31/3/18	9	Medium
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	No change, not due to report till 30/6/18	9	Medium
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	Previously discharged		

4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	Previously discharged		
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Previously discharged		
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	Recruitment of Wholetime and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training is commissioned, devised and delivered to cover a wide range of specialist skills (Boat, SRT, LAR, HMEPO, Rope Rescue etc). Particularly risk critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning	Increase to 9	Medium



		<p>(NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners.</p> <p>Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness.</p> <p>A dedicated Incident Command Training team has been established recognising the vital importance of this skill to safe and effective operations. Retained Support Officers have been appointed and their responsibilities include recruitment and training.</p> <p>The Service continues to invest in training props to ensure realistic hot fire training conditions and in October 17 the new Multi Compartment Fire Fighting Prop (MCFPP) will come on line including the use of paraffin injection systems to create realistic compartment fire conditions which can be reproduced time after to assist learning.</p>		
7	Failure of key ICT systems resulting in disruption to services.	No change, not due to report till 30/6/18	9	Medium
8	Loss of corporate reputation through negative publicity.	No change, not due to report till 31/12/17	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	No change, not due to report till 31/12/17	12	Medium

10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	Discharged		Medium
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Previously discharged		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	No change, not due to report till 31/12/17	9	Medium
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	No change, not due to report till 31/12/17	9	Medium
14	Delayed mobilisation, impacting on service delivery.	No change, not due to report till 31/12/17	9	Medium
15	High levels of staff absence due to outbreak of ebola.	Previously discharged		
16	Lack of clarity on future of FRS, leading to inertia.	Previously discharged		
17	Failure of ESMCP to deliver a viable communication facility.	No change, not due to report till 31/12/17	9	Medium
18	Inability to maintain service provision in spate conditions.	No change, not due to report till 31/12/17	9	
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented.	No change, not due to report till 31/3/18	12	Medium

20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents.	No change, not due to report till 31/12/17	9	Medium
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**Financial Implications**

None

**Human Resource Implications**

None

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

The improvement in risk management arrangements should result in reduced business risk

**Local Government (Access to Information) Act 1985**

**List of Background Papers**

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

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1 Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities. Hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these amounts to be presented to Parliament each year. However there still remains some uncertainty surrounding the changes to the Business Rates Retention Scheme and the impact of Brexit. The final Local Government Finance Settlement 2017/18 confirmed a funding reduction of £2.3m in 17/18 and £0.9m and £0.4m over the following two years. Based on current budget estimates we will be faced with a funding gap of up to £1.2m in 19/20 (assuming council tax is increased by 2% in future years). The Authority will continue to review opportunities for further savings, with the next ECR due in 17/18. The Authority holds sufficient reserves to enable it to smooth out the impact if funding reductions and meet the financial challenges in the medium term.	3	3	9	Continue to monitor position and review implications arising from Brexit	31/03/2018	DoCS	DoCS	Corp Serv
2 Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	Premises based risks are assessed using the ORA process and paperwork. These are then categorised as level 1, 2, or 3 risk and documented accordingly. RIEF process is in place for sharing risk information The Service now has an ability through its RADAR product to store and record/amend Cat 2 & 3 risk information. Premises risks categorised as level 2 risk have a hazard statement on the mobilising system. The PORIS programme went live on the 1/4/15, as per the project plan. This now gives the Service a fully compliant system against the principles outlined in the CFRA PORIS guidance. All known high risk premises are recorded on the system.	3	3	9	86 plans still require further work. Since the last update the new form and training have been developed. The training will be completed by mid-July following which all new 7(2)(d) plans will be created using the new format. SDMs have received training to ensure that they can quality assure the plans prior to them being published. The Operational Assurance Team will recommence auditing of existing 7(2)(d) plans, starting with the Level 5s in Q2.	30/06/2018	HoSD	DoSD	Serv Delivery

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>3</p> <p>Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.</p>	<p>LFRS has a separate contingency plan in place that is specific to industrial action. This plan has been utilised throughout the current period of industrial action. Whilst overall levels of cover have been marginally reduced our resilience arrangements have ensured that we have been able to maintain our first pump attendance standards and ensured the same level of professional operational effectiveness throughout each of the periods of industrial action. Appropriate refresher training has been provided.</p> <p>There are 13 &amp; 16 agreements in place with other NW FRSs. Regular dialogue takes place with key staff and representative bodies.</p> <p>In December the FBU announced that further industrial action has been put on hold until June 2017, pending the outcome of the employment tribunals relating to the modifications to the pensions scheme.</p> <p>As such it is proposed that the risk is discharged from the corporate risk register, until such time as the potential for further industrial action arises, i.e. June 2017.</p>	1	4	4	Discharged				
<p>4</p> <p>Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.</p>	<p>The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent).</p> <p>Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested</p> <p>Increased use of HVP for larger incidents.</p>	2	3	6	Discharged				

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	<b>KEY RISKS</b>	<b>RISK MITIGATION/CONTROLS IN PLACE</b>	<b>LIKELIHOOD</b>	<b>IMPACT</b>	<b>RESIDUAL RISK</b>	<b>ACTIONS RECOMMENDED</b>	<b>BY WHEN</b>	<b>BY WHOM</b>	<b>RISK OWNER</b>	<b>DIRECTORATE</b>
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6	Discharged				

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>6 Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.</p>	<p>Recruitment of Wholetime and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team has been established recognising the vital importance of this skill to safe and effective operations. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions.</p>	3	3	9	<p>Embed new arrangements. Monitor effectiveness of Operational Assurance Performance Report in disseminating information</p>	31/03/2018	HoTOR	DoSD	Serv Delivery



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	<b>KEY RISKS</b>	<b>RISK MITIGATION/CONTROLS IN PLACE</b>	<b>LIKELIHOOD</b>	<b>IMPACT</b>	<b>RESIDUAL RISK</b>	<b>ACTIONS RECOMMENDED</b>	<b>BY WHEN</b>	<b>BY WHOM</b>	<b>RISK OWNER</b>	<b>DIRECTORATE</b>
7	Failure of key ICT systems resulting in disruption to services.	Separate BCP plans developed, including backup and recovery procedures, desktop exercise completed. Asset replacement policy in place, regularly reviewed. IT Firewall to prevent inappropriate access, moisture detection loop installed in SHQ plant room to identify any early threat of flooding Secondary ICT site constructed at STC to provide enhanced resilience, implementation of Active Directory to enhance security and control of user access, improved virus protection. Strategy to control use of USB devices implemented. Patch and update policy place to ensure servers and workstations are up to date with latest security developments. Wide Area Network (WAN) to all administrative and operations site. New Storage Area Network (SAN) to replicate all essential servers and data to the disaster recovery site at STC. Installed resilient link from STC to County Hall in order to maintain LCC/OCL supplied services in the event of a failure at SHQ or the link to County and also have extended the network to include the new control facility in Warrington.	3	3	9	We will be further developing NWFC as part of the WAN replacement this year, in order to make use of the intrinsic resilience built into the comm's and the building there, as a possible alternative to STC. It would also add further geographical separation to the sites and additional working space for us in the event of an incident	30/06/2018	HoICT	HoICT	Strategy & Planning
8	Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit comprehensively revised in 2016 to update all aspects of risk including business continuity issues, emergencies and broader reputational risk and to fulfil requirements of the Lancashire Resilience Forum emergency communications plan. Plan regularly tested, including exercises. Effective reactive press office and proactive media activity to build positive reputation; including on-call arrangements. Scanning and planning function helps anticipate and plan for specific reputational risks. Communication plans for all corporate projects include staff communication to reduce risk of 'leaks'. Corporate use of social media is embedded in communication plans with policy and guidance in place.	3	3	9	Social media policy and guidance requires review to ensure it keeps pace with issues and trends. Media training provision, incorporating social media training requires review.	31/12/2017	HoCC	HoCC	People & Development

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9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Retained salary scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Workshop held 18/12/15 resulting in recommendation to create an annual RDS Workshop at which priorities will be set for the forthcoming year. RDS Strengthening & Improving work stream to deliver improvements in this area.	3	4	12	RDS Pay review agreed for implementation in April 2017, subject to Union agreement. RDS Support officer posts agreed for implementation in April 2017. Ongoing RDS recruitment campaigns (the most recent RDS recruit course was 50% over-subscribed indicating that future work being undertaken as part of the RDS Strengthening and Improving work streams is paying dividends.)	31/12/2017	HoSD	HoSD	Serv Delivery
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	6	Proposed to discharge the risk			DoPD	People & Development
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				

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12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	Health and Safety Management System (HSMS) in place. HSA3 – workplace inspection programme. Internal Audit Framework (replace with SHE Annual Review and Station Audit Programme). HSMS developed and re-certificated to OHSAS 18001 H&S standard. SHE department plan to develop, maintain and continuously improve the HSMS. Publication of risk information – GRA's, service orders etc. External audit and scrutiny through VCA External Auditors, Audit and review arrangements in place through SHE Department audit programme. Health, Safety and Environment Advisory Group monitor performance.	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems has been carried out as part of our OHSAS 18001 and ISO 14001 certification process close out issues identified, 2 non-conformance issues which both relate to Operational Controls for third parties working/operating on LFRS premises has been received.	31/12/2017	HoSHE	HoSHE	People & Development
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Performance indicators reported on a regular basis. Location Hub managed centrally allow greater integration of data. performance management software(CORVU) implemented. Data encryption in place.	3	3	9	The Information Management Strategy has developed from the original policies, a 'road map' of work need to take the Service forward to ensure we have a workable program to move the Service forward. A number of projects are underway to facilitate this: <ul style="list-style-type: none"> <li>• CFRMIS 6</li> <li>• Service Wide Data review</li> <li>• Corporate Document Centre</li> <li>• Self Service GIS</li> </ul> Whilst there has been progress in the last 18 months, due to the recent loss of key members of the project staff, there is will be a slow-down in progress against what was already a 3 year programme of work.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning

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14	Delayed mobilisation, impacting on service delivery.	System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. 2014 saw the implementation of a new Global ITN road speed setting developed from historical evidence provided by Cheshire FRS. This implementation along with changes to Station geographical locations, the removal of road restrictions (imposed on the ITN by the developers) and the development of new response plans has seen an improvement in mobilising with appliances arriving with greater accuracy between the proposed and actual run times. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves.	3	3	9	Although mobilising accuracy has vastly improved, LFRS have proposed a further change to the Road speed settings based upon evidence gathered; again further improving response accuracy. The data testing and analysis has been carried out and broadly matches that of the work done by GMFRS. We are awaiting NWFC ICT contractor Telent , to undertake testing of a new set of roads speeds based on actual performance.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
16	Lack of clarity on future of FRS, leading to inertia.	<p>The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office</p> <p>The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another. As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:-</p> <ul style="list-style-type: none"> <li>• remain as we are</li> <li>• move towards a PCC</li> </ul>	2	3	6	Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
17	Failure of ESMCP to deliver a viable communication facility.	Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. However there are still some areas that need to be resolved, and therefore the original go live for the North West (the first region go-live) September 2017, has moved on 6 months to April 2018. The current Airwave contract has been extended until 2019, in order to ensure that the roll out of the new system is complete before the existing contract ends.	3	3	9	The Service continues to progress work along with the other NW FRS, as the first region to roll out the proposed solution. Recent Programme milestones have been achieved in terms of the procurement of handheld devices and the cascade of the vehicle mounted devices tender. As there is still further details to be added to the national project plan, all Services await the final programme dates, and the regional programme team will update Services as soon as they receive this updated information. In the interim LFRS has developed a project plan and internal key stakeholders are now meeting regularly. There will be a clearer picture towards the end of the year after this work, and further milestones are reached within the project and the risks will be assessed and updated.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning
18	Inability to maintain service provision in spate conditions	Robust Business Continuity arrangements The published 2017-2022 LFRS Integrated Risk Management Plan recognises the impacts of wide area flooding (P2 increasing weather related events) as does our SOR for 2017. Ensure ESMCP specification recognises communication needs identified Training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support has been delivered, testing via an exercise to be completed LFRS vehicle fleet amended with multi-purpose (4x4) vehicles suitable for use in wide area flooding placed within the fleet, further purchases to follow in 2017/18 to extend the provision to 10. The enhancement of staff PPE with provision of flood suits and associated training is complete.	3	3	9	Ensure that future station builds include relevant flood defences	31/12/2017	HoProp	DoCS	Corp Serv

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	<b>KEY RISKS</b>	<b>RISK MITIGATION/CONTROLS IN PLACE</b>	<b>LIKELIHOOD</b>	<b>IMPACT</b>	<b>RESIDUAL RISK</b>	<b>ACTIONS RECOMMENDED</b>	<b>BY WHEN</b>	<b>BY WHOM</b>	<b>RISK OWNER</b>	<b>DIRECTORATE</b>
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems. ICT Strategy to include work stream to improve user experience. BPIP consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users CPB consider outcomes from BPIP	4	3	12	Additional ICT resources identified in 2016/17 budget, difficulties in recruiting additional ICT resources due to skill shortages have been resolved and recruitment is underway. Development of social networking site for staff to support each other and share knowledge of ICT systems is planned for 2017/18	31/03/2018	HoICT	DoSP	Strategy & Planning
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The CSS software application we currently run on our command units to manage the incident command system, has gone into administration and will no longer be able to support the software system. However we can still use on each Command unit, there will not be any support should this cease to operate. If that was the case we would need to utilise an alternative means of incident command, i.e. white board and pen. The Intellectual Property Rights (IPR) for the Vector software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. They have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered.	3	3	9	The Vector Command software has been updated by the new owner (Telent) and successful tests have been delivered by ICT firstly on a test bench and then on the live ICT system. The next phase of testing is scheduled for June 2017 which will explore if the software works effectively using satellite technology and therefore enabling use on our Command Unit. Such an outcome will close this risk item.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	All high rise residential premises have been audited, in conjunction with relevant Local Authority. Only one building found with ACM cladding panel, this was on a 6 storey section of building (top section), which is being managed locally to limit the risk this presents. An on-going risk based inspection plan has been agreed based on following priority order: -High rise Purpose flats -High rise sleeping -High rise hospitals -High rise schools -High rise commercials -Hospital non- high rise -School non-high rise -other Community reassurance visits undertaken. Temporarily amend PDA to high rise to include an ALP	2	5	10	Complete inspection programme. Update relevant SSRIs. Review amendment to PDA in light of further information from the Grenfell Inquiry	31/03/2018	HoServ Develop	DoSP	Strategy & Planning

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
22 Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NWAS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc.	3	3	9	Statement of Intent to be agreed between LFRS and Lancashire Constabulary Areas for further review to be agreed Further roll out of EMR is dependent upon outcome of national pay negotiations	30/09/2018	HoSD	DoSP	Strategy & Planning
23 Lack of leadership capacity impacting on delivery of services	Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc. Coaching and mentoring system introduced Action Learning Sets introduced Leadership Conferences delivered April 2017 with the second being planned for October 2017 Promotion Board in place with clear development and promotion	3	3	9	Deliver second leadership conference Deliver a leadership development programme to operational and support managers Develop and deliver an apprentice strategy	30/09/2018	HoHR	DoPD	People & Development

**21**

HIGH	0
MEDIUM	16
MEDIUM/LOW	4
LOW	3

**23**

Scores  
Likelihood



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	<b>KEY RISKS</b>	<b>RISK MITIGATION/CONTROLS IN PLACE</b>	<b>LIKELIHOOD</b>	<b>IMPACT RESIDUAL RISK</b>	<b>ACTIONS RECOMMENDED</b>	<b>BY WHEN</b>	<b>BY WHOM</b>	<b>RISK OWNER</b>	<b>DIRECTORATE</b>
5	Certain, see next sheet	Minor, see next sheet							
4	Very Likely, see next sheet	Noticeable, see next sheet							
3	Likely, see next sheet	Significant, see next sheet							
2	Unlikely, see next sheet	Critical, see next sheet							
1	Rare, see next sheet	Catastrophic, see next sheet							

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## **LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE**

Meeting to be held on 28 September 2017

### **CONSULTATION ON AUDITOR APPOINTMENT FROM 2018/19**

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

#### **Executive Summary**

Following the national procurement exercise undertaken, Public Sector Audit Appointments (PSAA) has consulted with relevant bodies on the proposed audit appointment for future years.

PSAA are proposing appointing Grant Thornton (UK) LLP to audit the accounts of Lancashire Combined Fire Authority for five years from 2018/19. The appointment will start on 1 April 2018.

Should the Authority wish to make representations on this appointment it had until 22 September to do so. Following consultation with the Chairman and Vice-Chairman of the Audit Committee it was agreed that we would not make any such representations and hence we responded accordingly.

#### **Recommendation**

The Committee is asked to note the report.

#### **Information**

As Members will recall the Authority opted into Public Sector Audit Appointments (PSAA) auditor appointment arrangements, whereby PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements.

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

In June 2017 PSAA confirmed that it had completed a procurement to let audit contracts from 2018/19. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor of Lancashire Combined Fire Authority for five years from 2018/19. The appointment will start on 1 April 2018.

In developing this appointment proposal, PSAA have applied the following principles, balancing competing demands as much as they can, based on the information provided by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

PSAA consulted on this appointment in August/September, with a deadline for any representations of 22 September 2017. Representations can include matters that might be an impediment to the proposed firm's independence, were it to be the appointed auditor.

Having consulted with the Chairman and Vice Chairman of the Committee we do not feel there are any reasons to make representation on the appointment of Grant Thornton, who have been our auditors since the abolition of the Audit Commission, and we have therefore confirmed that we have no objection to the proposed appointment.

PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies in March 2018. As previously reported the results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18% should be possible for 2018/19, based on the individual scale fees applicable for 2016/17.

### **Financial Implications**

None

### **Environmental Impact**

None

### **Equality and Diversity Implications**

None

### **Human Resource Implications**

None

### **Business Risk Implications**

The appointment of an appropriate external auditor is a key control measure within the Authority. As part of this it is essential that the external auditor is independent and is therefore able to fulfil their role. The consultation document enables the Authority to consider this aspect and make representations regarding the appointment if appropriate.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

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

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