

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 24 July 2018 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

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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 - 6)
4. INTERNAL AUDIT ANNUAL REPORT 2017/18 (Pages 7 - 22)
5. INTERNAL AUDIT - MONITORING REPORT (Pages 23 - 30)
6. ANNUAL GOVERNANCE STATEMENT 2017/18 (Pages 31 - 56)
7. REVISIONS TO THE STATEMENT OF ACCOUNTS 2017/18 (Pages 57 - 150)
8. EXTERNAL AUDIT - UNDERSTANDING HOW THE COMMITTEE GAINS ASSURANCE FROM MANAGEMENT (Pages 151 - 158)
9. EXTERNAL AUDIT - LETTER OF REPRESENTATION (Pages 159 - 164)
10. EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2017/18 (Pages 165 - 186)
11. RISK MANAGEMENT (Pages 187 - 210)

12. SCHEME OF DELEGATION (Pages 211 - 242)

13. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 27 September 2018 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 29 January 2019 and 2 April 2019
 proposed for 23 July 2019

14. 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.

15. 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

16. 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 March 2018, 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
J Shedwick (Vice-Chair)
D Smith

Officers

D Russel, Assistant Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

In attendance

J Taylor, Internal Audit, Lancashire County Council
R Baker, External Audit, Grant Thornton
R Tembo, External Audit, Grant Thornton

30/17 APOLOGIES FOR ABSENCE

None received.

31/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

32/17 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 25 January 2018 be confirmed as a correct record and signed by the Chairman.

33/17 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 identified one new risk which warranted inclusion on the corporate risk register. The Director of Corporate Services advised that Mr Matzak, a Belgian firefighter had taken a case to the European Union court that looked at the applicability of the Working Time Directive in connection with the Belgian Fire Service and their version of on-call controls. Legal opinion was currently being sought nationally in connection with the case to identify the impact in the UK. If it did apply there would be a detrimental impact on service provision and/or costs on a national level. Until such time as a legal opinion had been received this presented a significant risk to the organisation and was therefore scored as a high risk.

The updated corporate risk register was considered by Members and the Director of Corporate Services highlighted the following:

Risk no. 13 – The compliance with the General Data Protection Regulations had been identified as a significant priority, a Knowledge and Information Officer had now been appointed and a review undertaken of the current arrangements. This risk remained a medium risk with a score of 9.

Risk no. 19 – Additional resources enabled further development. The revised ICT Strategy had been approved at the Resources Committee the previous day which included a number of initiatives. This risk had been reduced to a medium risk with a score of 9.

Risk no. 21 – Following the Grenfell Tower Fire the Service had undertaken an inspection of high rise premises and supported Greater Manchester Fire Service in this. In Lancashire one building had been identified with ACM cladding which remained in situ following the identification of revised risk arrangements to mitigate those risks. The inspection programme remained ongoing with 148 complete and 16 premises outstanding which were lower risk such as low rise buildings and non-sleeping accommodation. Until such time as the Grenfell Tower Inquiry had been completed this item would remain on the register. This risk remained a medium risk with a score of 10.

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

34/17 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced 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 23 February 2018 was presented by Judith Taylor.

The report included an update on actions taken following the recent External Quality Assessment review, the outcome of which was reported in January.

It was noted that work carried out during the period 1 April 2017 – 23 February 2018 was in accordance with the agreed audit plan and no significant issues had been identified.

The report identified that 59 days had been spent this financial year on the completion of the 2017/18 plan. Mrs Taylor advised that since the report had been written an additional 8 days had been completed. This equated to 84% of the total planned audit activity of 80 days, of which 5 days had been conducted in the period since the previous report to the Audit Committee dated 12 January 2018.

Details of the progress included audit days planned and used; assurance provided and comments against each of the areas completed to date. Progress to date in relation to the Plan was provided and discussed by Members. An updated Internal Audit Service Charter, appendix 3 to the report had been circulated before the meeting. Mrs Taylor advised that this had been updated to be more explicit regarding integrity, competency and the duty to report any area of non-compliance.

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

35/17 INTERNAL AUDIT PLAN 2018/19

The Internal Auditors were required to produce an Annual Audit Plan, setting out work to be undertaken during the year. The plan amounted to a total resource of 80 audit days in 2018/19, which equated to an overall cost of £26k which was in line with the budget provision.

A proposed plan was present by Judith Taylor.

The internal audit plan was designed to provide the evidence necessary to support an opinion of governance, risk management and control to encompass the following:

- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
- Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
- Coverage of the controls that served to mitigate the most significant risks to an acceptable level;
- Coverage of the controls that operated most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
- Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.

The deployment of audit resources was proposed as follows:-

Governance and business effectiveness	10 days
Service delivery and support	6 days
Business processes	40 days
Follow up audit activity	4 days
Other components of the audit plan	12 days
Contingency	8 days
Total	80 days

It was noted that the 8 contingency days were being held pending the outcome of the HMICFRS inspection in summer 2018.

The intention to revise the categories and definitions of assurance levels was discussed. Full Assurance would become Substantial Assurance and Substantial Assurance would become Moderate Assurance. Some Members were concerned that this looked like a drop in standards. Mrs Taylor explained that there was no standard assurance levels used across the internal audit sector; with some internal audit services having 3 or 5 degrees of assurance. The revised categories were specific to Lancashire County Council (LCC) Internal Audit Service and would be applied at LCC and for their external clients such as ourselves. Mrs Taylor assured Members that whenever a report was issued it always contained the definitions of assurance levels.

In response to a question raised by CC Shedwick Mrs Taylor provided reassurance that there would be sufficient capacity to complete the outstanding work from this year and the planned work for next year.

RESOLVED:- That the Audit Committee agreed the internal Audit Plan for 2018/19.

36/17 EXTERNAL AUDIT - AUDIT PLAN 2017/18

The external auditors were required to produce an annual audit plan, setting out the areas it intended to review during the year. The Committee welcomed Robin Baker as the new External Audit Engagement Lead who presented the plan.

The audit fee was £30.7k which was in line with those previously reported and within the budget.

RESOLVED:- That the Audit Committee agreed the external audit plan for 2017/18.

37/17 CONTRACT STANDING ORDERS - PROPOSED AMENDMENTS

The Authority was a Contracting Authority for the purpose of the Public Contracts Regulations 2006 and was required to comply with the tendering and award of contracts as set out in those regulations. The European Commission had updated its threshold and on that basis the Authority was required to amend its regulations.

Where those regulations did not apply (for contract values below EU thresholds) the Authority had their own procedures in place in the form of Contract Standing Orders. These formed part of the Constitution along with Financial Regulations and the Scheme of Delegation.

These had been reviewed and updated to reflect current practices.

Members considered the changes highlighted in the report the most significant of which related to the update of financial thresholds relating to the quotation procedure and separated out those relating to goods and services and works.

RESOLVED:- That the Audit Committee approved the amended Contract Standing Order thresholds as outlined in the report.

38/17 FINANCIAL REGULATIONS - PROPOSED AMENDMENTS

The financial regulations were reviewed on a regular basis and were updated to reflect current practices.

Members considered the changes highlighted in the report, the most significant of which related to the update of financial thresholds, changing deadlines for the production and approval of the accounts and amending disposal arrangements for fire appliances.

RESOLVED:- That the Audit Committee agreed the revised Financial Regulations.

39/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 24 July 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 27 September 2018 and agreed for 29 January 2019.

40/17 EXCLUSION OF PRESS AND PUBLIC

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

41/17 MARAUDING TERRORIST FIREARMS ATTACK (MTFA) UPDATE

(Paragraphs 3 and 7)

The Assistant Chief Fire Officer provided Members with a report on the Service's preparedness and response.

RESOLVED: - That the report be noted.

LFRS HQ
Fulwood

M NOLAN
Clerk to CFA

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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 24 July 2018

INTERNAL AUDIT ANNUAL REPORT 2017/18 (Appendix 1 refers)

Contact for further information:

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

Executive Summary

The attached report summarises the work performed by the Internal Audit Service during 2017/18.

The opinion of the Chief Internal Auditor is that the Committee can take substantial assurance that the Lancashire Fire and Rescue Service operates a generally sound system of risk management, governance and internal control.

Recommendation

The Committee is asked to note and endorse the report.

Information

The Internal Audit Annual Report summarises the work that the Internal Audit Service undertook during 2017/18 and the key themes arising from it. It provides an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control.

On the basis of programme of work for the year, the Head of Internal Audit can provide substantial assurance over the framework of governance, risk management and control for 2017/18. It is their opinion 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.

This opinion is based on the individual assurance levels they have provided for each of the individual audit reviews undertaken in 2017/18, as shown in the detailed report.

Financial Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Business Risk Implications

The work of internal auditor is one of the key control measures in place within the Authority. As such the annual report provides an assurance to members that risks are being managed and controlled and feeds the Authorities overall assessment of the internal controls that operate within the service

Local Government (Access to Information) Act 1985

List of Background Papers

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

Lancashire Combined Fire Authority

Internal Audit Service

**Annual report of the head of internal audit for the year
ended 31 March 2018**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2017/18 and the key themes arising in relation to risk management, governance and internal control.
- 1.2 In March 2017, the Audit Committee considered and approved the internal audit plan for 2017/18. This work is now complete and reported on here.

The role of internal audit

- 1.3 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control and governance processes. The Public Sector Internal Audit Standards require the head of internal audit to provide an opinion on the framework of governance, risk management and control of Lancashire Combined Fire Authority and a written report to those charged with governance, timed to support the annual governance statement. This report is based upon the work the Internal Audit Service performed during 2017/18 and 2018/19 in relation to the 2017/18 audit plan.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1 to this report. The levels of assurance the Internal Audit Service provides are set out in Annex 2.
- 1.5 An Internal Audit Service Charter is in place that establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Combined Fire Authority and to meet its professional obligations under applicable professional standards.

Acknowledgements

- 1.6 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff of Lancashire Fire and Rescue Service in the course of our work during the year.

Ruth Lowry
Head of Internal Audit
Lancashire County Council

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 On the basis of our programme of work for the year, I can provide **substantial** assurance over the framework of governance, risk management and control for 2017/18. It is my opinion 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.
- 2.2 This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken in 2017/18, and includes consideration of the wider sources of assurance provided to the Combined Fire Authority.

Wider sources of assurance available to the Combined Fire Authority

- 2.3 Assurance is provided by Grant Thornton as the Authority's external auditor for the year. Grant Thornton issued an unqualified opinion on the 2016/17 financial statements on the 28 September 2017. They were also satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.
- 2.4 The British Assessment Bureau were invited in February 2018 to re-certify Lancashire Fire and Rescue Service against the international Health, Safety and Environment management standards (OHSAS 18001 and ISO 14001). Following the audits continued certification has been granted for both standards, with no areas of non-conformance noted.

3 Internal audit work undertaken

Governance and risk management arrangements

- 3.1 Our overall opinion on risk management, governance and internal control has been informed by our ongoing attendance at each of the meetings of the Audit Committee at which a Risk Management update report is provided by the Director of Corporate Services, and through the work we conduct on individual audit assignments. We additionally obtain assurance regarding governance arrangements through our review of minutes of the meetings of the Executive Board, the Service Management Team and the Corporate Programme Board that have taken place during 2017/18.
- 3.2 The above procedures have not identified any significant weaknesses in governance, risk management or internal control that need to be brought to the attention of committee.

Rota management

- 3.3 The audit involved reviewing the controls in place to ensure that the retained, whole-time and flexible duty rota systems support the efficient and effective deployment of firefighter resources, and the management of

absences, and to ensure that RDS firefighters are paid the correct amount based on the shifts worked and the new pay structure introduced in 2017.

- 3.4 Our audit was completed in March 2018 and we provided substantial assurance. Other than minor exceptions, the Gartan rota system supports the deployment of firefighter resources and retained duty system firefighters were being paid in accordance with the revised pay structure.

Training, Learning and Development

- 3.5 Our audit was completed in June 2018 and the draft report is currently with senior management for consideration of the areas for improvement identified. No significant areas of concern have been identified.
- 3.6 The audit included consideration of the processes and controls within and around the PDRPro system and the LearnPro e-learning environment and we have additionally considered the completeness and accuracy of individual training records, the timely completion of initial training programmes and compliance thereafter with individual training renewal/refresh periods.

Accounts payable, Accounts receivable, General ledger

- 3.7 Our audit of each of these key financial systems was finalised in December 2017, and we were able to provide opinions of substantial, full and full assurance respectively. No significant control weaknesses were identified and a strong control environment continues to be maintained by the finance and procurement teams.
- 3.8 Financial Regulations and relevant policies are in place and up to date, and accessible for all staff to view. Access control is well maintained by the Head of Procurement and the Head of Finance. Furthermore, the monitoring of expenditure and the recovery of debts is appropriately carried out. These controls contribute significantly to mitigating risks and reducing errors.

Human resources (HR)/ payroll

- 3.9 Our audit was completed in January 2018 and our report issued with an opinion of full assurance.
- 3.10 A strong control environment continues to exist over HR and payroll processes, so as to ensure that valid appointments have been correctly established and the right amount is paid to individuals at the right time. Robust monitoring arrangements are additionally in place to prevent and detect any anomalies or errors that might arise.

Treasury management

- 3.11 Our audit was completed in November 2017 and we provided full assurance.
- 3.12 Treasury management activity has been conducted in accordance with the approved treasury management strategy and the service level agreement in place between LCFA and LCC for the provision of treasury management services.

Pension administration

- 3.13 Our audit was completed in May 2018 and we issued an opinion of substantial assurance.
- 3.14 Our review has identified no areas of major concern, and in particular we are satisfied that changes to the Altair pension administration software are satisfactorily tested prior to implementation, pension transactions are subject to appropriate review by a second officer before processing and pension payments are consistent with the underlying Altair calculations.
- 3.15 We do however note that as in previous years there has been delays in the submission of data from LFRS to Your Pension Service, which has hampered the timely establishment of starters and the issue of information to members.

Follow-up work

- 3.16 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should obtain assurances that actions have been implemented as agreed, or that senior management has accepted the risk of not taking action.
- 3.17 Our follow up audit work has involved obtaining explanations and evidence where appropriate that actions have been implemented. We have not re-performed any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither have we re-assessed the overall control environment.
- 3.18 The table below provides a summary of the progress made in implementing the agreed actions raised as part of the 2016/17 audit programme:

Audit	Actions raised	Implemented	Ongoing/ Superseded	Original residual risk associated with ongoing actions
Accounts receivable	1	1	-	
Treasury management	1	1	-	
Pensions administration	4	2	2	Medium (Note 1)
Absence management	2	2	-	
Tranman Stores	4	3	1	Low (Note 2)
Tranman Fleet	2	2	-	
Operational Assurance Team	6	6	-	
Totals	20	17	3	

Note 1 – The two outstanding actions relate to (i) the development of enhanced KPI data which is pending the introduction of a new case management system, and (ii) the agreement of the delegation of function associated with pension administration services, which was signed by LFRS in October 2017, but is awaiting signing and sealing by LCC.

Note 2 – The need for a separate scheduled twice yearly meeting with the software supplier has been superseded as the procurement team have been in regular contact with the provider to address ongoing issues.

- 3.19 Based on the information and explanations provided to us in conducting the above work, we are satisfied that LFRS have made excellent progress in implementing the agreed actions.

Fraud/ special investigations

- 3.20 No specific incidences of fraud or irregularity have been brought to our attention.

National Fraud Initiative

- 3.21 The NFI is part of the statutory audit process for health, local government and other public sector providers managed by the Cabinet office. The NFI flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.
- 3.22 Following the submission of data in October 2016, the resulting matches were released by the Cabinet Office in January 2017. The table below provides details of the total number of matches identified, the number of matches recommended for investigation, the number of matches reviewed and cleared to date or opened and in progress and the errors found.
- 3.23 Other than three pension records still under review (as at the end of May), all recommended cases have been examined. No frauds or savings have been identified.

Category of data	Number of matches identified	Number of matches recommended for investigation	Number of matches processed	Number of matches in progress	Errors
Pensions	55	17	52	3	0
Payroll	48	5	48	0	0
Creditors	218	41	103	0	17 ¹
Procurement	1	0	1	0	0
Individuals who appear on more than one report	1	0	0	0	0
Total	323	63	204	3	17

¹ The errors represent duplicate creditor records by name, address or bank account detail.

4 Implications for the Annual Governance Statement

- 4.1 In making its annual governance statement the Combined Fire Authority should consider this report in relation to internal control, risk management and corporate governance.
- 4.2 We have agreed actions in a number of areas to enhance the controls in place for the planned audit reviews, and no high risk areas for improvement have been identified. There are therefore no matters arising from the audit work conducted during 2017/18 that we consider should be identified in the annual governance statement as requiring improvement.
- 4.3 Additionally, as part of the 2018/19 audit programme, we have completed some work in conjunction with the Director of Corporate Services which has considered the sources of assurance available to Lancashire Fire and Rescue Service. Our conclusions from this work confirmed that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.

5 Internal audit inputs and performance

Internal audit plan 2017/18

- 5.1 Work carried out during 2017/18 was in accordance with the audit plan presented and approved by the Audit Committee in March 2017. Details of the assurance provided, and key issues identified for each of the areas covered is set out in the 'Summary of findings and assurance' table which forms part of Section 6. This shows that 80 days have been spent delivering the audit plan against a provision of 80 days. Of this, 70 days were undertaken during the 2017/18 financial year, with the remaining 10 days being conducted in the first quarter of 2018/19.
- 5.2 Action plans have been agreed in respect of all final audit reports. These indicate that positive action has been, or will be taken to address any areas for improvement identified. Implementation of these plans will be followed up as part of our 2018/19 audit plan.

6 Internal audit quality assurance and improvement

- 6.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.
- 6.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.
- 6.3 An external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS was conducted in November 2017 which confirmed that the service fully meets nearly all the Standards, as well as

the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF.

- 6.4 A small number of actions arose for the Service from this review, and a report explaining how these had or were to be addressed was presented to the Committee in March 2018. Progress will continue to be made during 2018/19 in addressing the remaining actions outstanding in the report associated with the completion of the ICT tender exercise and the enhancement of the existing performance management framework.
- 6.5 The review has confirmed that the Internal Audit Service can say that its work has been in accordance with the International Professional Practices Framework, PSIAS and the Local Government Application Note.
- 6.6 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and during the year a post-audit file review process was also set out to test conformance with the service's working practices and the quality of work undertaken. The first post-audit file reviews were undertaken during February 2018 and they indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors, although some learning points have been drawn out and shared with the team.

7 Summary of findings

Overall summary and assurance provided

- 7.1 The table on the following pages sets out a brief summary of each review undertaken during the year. This sets out the planned and actual days we have spent on each review, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of business. This also sets out the level and number of actions agreed for each review. They reflect the findings at the time the work was carried out.
- 7.2 We have distilled the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.

System adequacy: We have defined 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 have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

Summary of our findings and assurance

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Governance and business effectiveness</i>						
Governance and risk management arrangements	0	0	0	Substantial assurance		The audit work performed and our review of the minutes of the Executive Board, Service Management Team and the Corporate Programme Board supports an overall opinion of substantial assurance on the adequacy and effectiveness of governance, risk management and control arrangements.
<i>Service delivery and support</i>						
Rota management	10	10	0	✓	✓	Our final report was issued in March 2018 and two medium and two low residual risk actions were agreed relating to: <ul style="list-style-type: none"> • Maintaining a version control and 'last reviewed' date on associated service orders; • Scrutinising and challenging the costs associated with additional activities which varied significantly between stations; • Correcting minor anomalies identified in the Gartan standing data; and • Verifying on a periodic basis that individuals' access permissions in Gartan are commensurate with role.
				Substantial assurance		
Training, learning and development	10	10	0	-	-	Our draft report and proposed actions are currently with senior management for consideration.
<i>Business processes</i>						
Accounts payable	10	10	0	✓	✓	Our final composite report covering each of these accounting systems was issued in December 2017.
				Substantial assurance		

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Accounts receivable	5	5	0	✓	✓	Two medium and one low residual risk actions were agreed relating to: <ul style="list-style-type: none"> • Revision of access permissions • Ensuring compliance with Contract Standing Orders • Reminding staff of the correct fees and charges information
				Full assurance		
General ledger	5	5	0	✓	✓	
				Full assurance		
HR and Payroll	12	12	0	✓	✓	Our final report was issued in January 2018. No areas for improvement were noted.
				Full assurance		
Treasury management	5	5	0	✓	✓	Our final report was issued in November 2017. No areas for improvement were noted.
				Full assurance		
Pensions administration	5	5	0	✓	✓	Our final report was issued in May 2018. No new areas for improvement were identified.
				Substantial assurance		
<i>Follow up audit activity</i>						
Absence management Tranman stores Tranman fleet Operational Assurance Team	6	6	0	N/A	N/A	Our work was completed as follows: Absence management – May 2018 Tranman stores – February 2018 Tranman Fleet – March 2018 Operational Assurance Team – May 2018 Except for one low residual risk action in relation to Tranman Stores, which is still outstanding, all actions have been implemented as agreed.

Lancashire Combined Fire Authority
Annual report for the year ended 31 March 2018

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Other components of the audit plan</i>						
Management activity	10	11.5	(1.5)	N/A	N/A	Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring reports, development of the 2018/19 audit plan and attendance at the meetings of the Audit Committee.
National Fraud Initiative	2	0.5	1.5	N/A	N/A	Time incurred relates to administrative support provided in relation to the National Fraud Initiative exercise and investigation of certain categories of data match.
Total days	80	80	0			

Annex 1: Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit encompasses all of the governance, risk management and control processes of the Combined Fire Authority including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Combined Fire Authority has taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2017/18.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole.
- 6 Internal auditors cannot be held responsible for internal control failures, however, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Team, which either accepts and implements the advice or accepts the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

- 9 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with the PSIAS and the results of the quality assurance and improvement programme.
- 10 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

Basis of our assessment

- 11 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the improvements that we proposed and that have been accepted by management.

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work.

Limitations on the assurance that internal audit can provide

- 13 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 14 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 15 This report has been prepared solely for the Combined Fire Authority. This report forms part of a continuing dialogue between the Internal Audit Service, senior officers within Lancashire Fire and Rescue Service and the Audit Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 16 We acknowledge that this report may be made available to other parties, such as the external auditors. We accept no responsibility to any third party who may receive this report 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.

Annex 2: Audit assurance levels and classification of agreed actions

Audit assurance

As noted in the 2018/19 audit plan, submitted to the Audit Committee in March 2018, the audit assurance levels will be amended for 2018/19. However, in 2017/18 the assurance we can provide over any area of control has fallen into one of four categories as follows:

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

Substantial assurance: there is a generally sound system of internal control, adequately 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/ has resulted in failure to achieve the service objectives.

Actions proposed by the Internal Audit Service

All actions proposed by the Internal Audit Service and agreed by management are stated in terms of the residual risk they are designed to mitigate.

Extreme residual risk: Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the county council's services, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the council's reputation.

High residual risk: Critical in that failure to address the issue or progress the work would lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation.

Medium residual risk: Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.

Low residual risk: Areas that individually have no major impact on achieving the service objectives or on the work programme, but where combined with others could give cause for concern.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 24 July 2018

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 2018/19.

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 30 June 2018 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

30 June 2018

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2018/19 was approved by the Audit Committee in March 2018. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2018 to 30 June 2018.

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 significant issues have been identified from the assurance work completed to date that needs to be brought to the specific attention of the Committee.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2018 to 30 June 2018 was in accordance with the agreed audit plan. To date, 7 days have been spent this financial year on completion of the 2018/19 plan, equating to 9% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 10 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2017/18 audit plan. The findings from these reviews are included in the 2017/18 Annual Report of the Head of Internal Audit presented alongside this report.

Sources of assurance

- 3.3 We have worked in conjunction with the Director of Corporate Services on the development of an assurance map for Lancashire Fire and Rescue Service, which has involved the identification of key sources of assurance, from both within and outside the control of LFRS that contribute to the mitigation of individual risk areas.
- 3.4 We then formed a view, using a RAG rating, as to whether the depth and breadth of the assurance received from the various sources was sufficient and appropriate to the level of risk involved.
- 3.5 The output from the above exercise confirmed that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.
- 3.6 Whilst the review has not highlighted any significant weaknesses in the control environment, it identified a small number of areas where we consider that overall control can be improved and actions have been agreed in this regard.

Overall summary and assurance provided

- 3.7 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.
- 3.8 We have provided a summary of the assurance we are able to provide in relation to each system or operational area of your business where work has been finalised.
- 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.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Governance and risk management arrangements	0	0	0	-	-	An overall opinion on the adequacy and effectiveness of governance and risk management arrangements will be reported as part of the 2018/19 Annual Report of the Head of Internal Audit.
Sources of assurance	10	5	5	Sufficient, relevant assurance is obtained to ensure compliance with the Code of Corporate Governance and to ensure all significant risks are appropriately managed and controlled.		Four actions have been agreed to strengthen the overall control environment in relation to: <ul style="list-style-type: none"> Ensuring all policies have an assigned owner and a scheduled review frequency. Considering the need for tender panel members to confirm that they have no conflicts of interest to declare. Maintaining a record of the dates and findings of the annual review of the register of gifts and hospitality. Updating the fraud risk assessments on a bi-annual basis.
Service delivery and support						
Business Continuity Planning	6	0	6	-	-	Scheduled for quarter 2/3
Contingency	8	0	8	-	-	Scope of this review is to be determined following the HMICFRS inspection.
Business processes						
Accounts payable	10	0	10	-	-	Scheduled for quarter 2/3
Accounts receivable	5	0	5	-	-	Scheduled for quarter 2/3

Lancashire Combined Fire Authority
 Internal Audit Service - Monitoring report for the period ended 30 June 2018

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
General ledger	5	0	5	-	-	Scheduled for quarter 2/3
HR and Payroll	10	0	10	-	-	Scheduled for quarter 2/3
Treasury management	5	0	5	-	-	Scheduled for quarter 2/3
Pensions administration	5	0	5	-	-	Scheduled for quarter 3/4
Follow up audit activity						
<ul style="list-style-type: none"> • Rota management • Training, Learning and Development 	4	0	4	N/A	N/A	Scheduled for quarter 3/4
Other components of the audit plan						
Management activity	10	2	8	N/A	N/A	Work in the period has included production of the 2017/18 Annual Report and quarterly monitoring report and attendance at Audit Committee.
National Fraud Initiative	2	0	2	N/A	N/A	No time incurred to date.
Total days	80	7	73			

Audit assurance levels

Appendix 1

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

Substantial assurance: the framework of control is adequately designed and/ or effectively operated.

Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 24 July 2018

ANNUAL GOVERNANCE STATEMENT 2017/18 (Appendices 1 and 2 refer)

Contact for further information:-

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

Executive Summary

The Authority is required to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the statement set out the key elements of the Authority's governance framework, how these have been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

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

Recommendation

The Committee is asked to note and endorse the self-assessment and the Annual Governance Statement based on this.

Background

The Authority is required to produce an Annual Governance Statement as part of the year end process for 2017/18.

The Audit Committee has 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).

The Code defines corporate governance as the way an authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

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.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment has been undertaken by the Executive Board, considering the various sources of assurance which support the core principles outlined above, and the outcome of this is attached as appendix 1. One of the key elements of this is external assurance on our systems, and this is provided by our auditors, both of whom provide positive reports, and by the previous Operational Assessment undertaken by Peer Review Team, which found 'nothing of significance' that would cause problems. As members are aware Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services is currently undertaking a review of the Authority, the outcome of which will feed into future Governance Statements.

The assessment also considers recommendations made as part of last year's Annual Governance Statement, and an update on the position in respect of these is set out below:-

Area for Improvement	Action to date	Complete/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	<p>Information Management Strategy and a number of underpinning policies agreed.</p> <p>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"> • Governance • Quality • Delivery <p>Key projects agreed</p>	Complete	Head of Service Development

<p>Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations</p>	<p>Review of Committees Terms of Reference complete and agreed at CFA in April. Review of Contract Standing Orders and Financial Regulations complete and agreed at Audit Committee in March. Procedural Standing Orders reviewed but no changes identified. Review of Scheme of Delegation this had been completed but was awaiting reporting to Audit Committee (see agenda item 12).</p>	<p>Complete</p>	<p>Clerk</p>
<p>Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary</p>	<p>A framework has been developed to review potential partnership arrangements utilising the following criteria:</p> <ul style="list-style-type: none"> • 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.)? <p>Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board. Programme managers appointed within both LFRS and Constabulary. Collaboration group established and opportunities for review agreed. This will form part of on-going programme.</p>	<p>Complete</p>	<p>Head of Service Delivery</p>
<p>Implement revised staff induction programme</p>	<p>The staff induction programme has been revised and updated. A learn pro induction module has been developed to support this process.</p>	<p>Complete</p>	<p>Head of Human Resources</p>

Implement Leadership Conference	Three Leadership conferences delivered, Spring 2017, Autumn 2017 and Spring 2018. The focus of the Conference was the promotion of a strong culture and one where equality, diversity and Inclusion are valued. The feedback from the Conference was excellent with the majority of participants reflecting on LFRS core values and competencies and their own personal contribution to those values.	Complete	Head of Human Resources
Complete review of staff recognition	Review of staff recognition and development of staff sounding boards has been undertaken. This was placed on hold due to staff changes and pending recruitment of additional resources. The additional resource is now in place and an updated project plan is being developed	On-going, target date for completion December 2018	Head of Corporate Comms

It is also worth noting that the Internal Auditors have undertaken a review of Sources of Assurance in the first quarter of 2018/19, as part of the internal audit programme. This review confirmed that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.

As a result of the various reviews a number of areas for further improvements have been identified, including those outstanding from last year's review:-

- Complete review of Scheme of Delegation (this was outstanding at the time of agreeing the Statement but has now been completed and is reported elsewhere on this agenda);
- Complete review of staff recognition;
- Create a new Intranet, incorporating social networking to connect staff across the service.

As part of our review, we are required to identify and disclose any significant internal control issues, of which there have been none, hence the overall conclusion is that the system of internal controls is adequate.

The above position is reflected in the Annual Governance Statement, attached as appendix 2.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The Annual Governance Statement and the review of effectiveness of the Authority's arrangements for complying with its Code of Corporate Governance forms a key element of the Authority's overall assessment of how well it is managing its business risks.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Code of Corporate Governance	Mar 2017	Keith Mattinson, Director of Corporate Services
External Auditors Annual Audit Letter	October 2017	Keith Mattinson, Director of Corporate Services
External Auditors Audit Findings Report	July 2018	Keith Mattinson, Director of Corporate Services
Internal Audit Annual Report	July 2018	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

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Lancashire Fire & Rescue Service Statement of assurance on governance arrangements, including risk management and internal control

Lancashire Fire & Rescue Service is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

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.

As the Executive Board, we have responsibility for maintaining a system of sound internal control including risk management that supports the achievement of the Authority's and the Service's objectives, and for reviewing its effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

However the system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore provide only reasonable and not absolute confidence that the risks of failure have been mitigated.

As Executive Directors, we are responsible for reviewing the effectiveness of the governance arrangements including system of internal control and risk management processes operating within the Service. The review of the effectiveness of the governance arrangements including the system of internal control has taken into account the following:

- The adequacy and effectiveness of management review processes;
- Outcomes from the formal risk assessment and evaluation (the risk register);
- Relevant self-assessments of key service areas within the Service;
- Relevant internal audit reports and the implementation of recommendations made by the Audit Service; and
- Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.

We are satisfied that, except for the matters identified below, effective governance arrangements are in place, including a sound system of internal control throughout the year ended 31 March 2018 and is on-going.

- Complete review of Scheme of Delegation
- Complete review of staff recognition
- Create a new Intranet, incorporating social networking to connect staff across the service

We propose to take steps to address the matters identified to enhance the adequacy of the Services internal controls. We are satisfied that these steps will enhance the system of internal control and the overall governance arrangements and we will be monitoring their implementation and operation.

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interests and that these codes and policies are communicated effectively</p>	<p>Good</p>	<p>Set of values agreed by the Authority - STRIVE</p> <p>Constitutional standing orders reviewed</p> <p>Member and employee codes of conduct</p> <p>Register of interests, and on-going declaration of these</p> <p>Register of gifts and hospitality</p> <p>Appropriately qualified Clerk to the Authority</p> <p>Anti-bribery and whistle-blowing policies in place</p> <p>Register of complaints and compliments</p> <p>Complaints against Members considered as a standing CFA item</p> <p>Minimal number of complaints</p> <p>No substantiated complaints against the service</p>
<p>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p>	<p>Good</p>	<p>All Committee and Authority reports contain section on financial implications. Legal implications are contained within the body of every report as appropriate.</p> <p>The Treasurer/Director of Corporate Services and Monitoring Officer examine all reports to the Authority and its committees to enable legal and financial implications to be considered and provision included where appropriate</p> <p>The Monitoring Officer and Treasurer/Director of Corporate Services attend Authority/Committee to provide advice as required</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Documenting a commitment to openness and acting in the public interest, and compliance with the principles of Data Transparency</p>	<p>Adequate</p>	<p>Compliance with Transparency code Publication scheme on the website. Compliance with FOI requirements Pay Policy Statement approved by the full Authority and published on the service website Annual Report Annual Assurance Statement Public meetings Publication of information on website, including Committee agenda and minutes Information Management Strategy updated</p>
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>	<p>Good</p>	<p>Comprehensive communication and consultations strategies in place Positive evidence of proposals being amended following outcomes of consultation Annual report published, including summary financial information Key documents published on internet Constructive dialogue with representative bodies Register of complaints and compliments Annual Assurance Statement available on the website The External Auditors Annual Audit Letter did not identify any issues</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Internal Audit provided substantial assurance over the internal control environment, governance and risk management arrangements</p> <p>Recommendations from audit reviews implemented</p> <p>Previous Operational Assessment undertaken by Peer Review Team found 'nothing of significance' that would cause problems, nor any issues 'with our self-awareness. Action Plan arising from this completed</p> <p>No substantiated complaints against the service</p> <p>HMICFRS Inspection results will feed future reviews</p>
<p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p> <p>Translating the vision into objectives for the authority and its partnerships</p>	<p>Good</p>	<p>Integrated Risk Management Plan covers 2017-2022</p> <p>Annual Service Plan, setting out Vision, Activities, Priorities and Values.</p> <p>KPIs identified for each of our priorities</p> <p>Suite of strategies/policies etc. regularly reviewed.</p> <p>Consultation and Communication Strategy setting out how we will consult with public and service users</p> <p>Assessment of compliance with National Framework</p> <p>Effective Corporate Programme Board arrangements, split into 3 Boards:-</p> <ul style="list-style-type: none"> • Business Process Improvement Programme • Workforce Development Programme • Service Delivery Change Programme. <p>All major projects and revise follow similar format and report to CPB</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		Terms of reference for all Programme Board items agreed at outset and delivery against these monitored on a bi-monthly basis
<p>Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality.</p>	<p>Good</p>	<p>Appropriate governance arrangements in place, CFA plus 5 Committees.</p> <p>Updated Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations, which have all been reviewed and updated other than the Scheme of Delegation which is scheduled for update in June 2018</p> <p>BCP arrangements in place in respect of systems and information, including regular backing up and storage of data.</p> <p>ICT Disaster Recovery Plan has been updated to reflect changes to the WAN and SAN infrastructure, and move to NWFC</p>
<p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>	<p>Good</p>	<p>Comprehensive performance management information presented to SMT/Performance Committee on a regular basis</p> <p>KPIs agreed with monitoring arrangements in place</p> <p>Annual Report</p> <p>Organisational Assessment process via Peer Review</p> <p>Creation of Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>External Audit review</p> <p>Comprehensive financial information reporting framework</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Medium Term Financial Plan and balanced budget in place</p> <p>Service reviews identified to deliver savings</p> <p>Resources redirected into priority areas such as prevention and protection</p> <p>Consistently exceeded efficiency targets</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.</p>	<p>Good</p>	<p>Updated Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations, which have all been reviewed and updated other than the Scheme of Delegation which is scheduled for update in June 2018</p> <p>Strategy Group meetings inform members of developments in a less formal manner</p> <p>Member/Officer protocol in place setting out respective roles and relationships etc.</p> <p>Member champions covering:-</p> <ul style="list-style-type: none"> • Community Safety • Equality, Diversity and Inclusion • Health and Wellbeing • Road Safety <p>Job descriptions for all staff</p> <p>Regular briefing sessions before Committees and as and when required</p> <p>Induction/training provided to all members</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief financial Officer in Local Government and, where they do not, explain why and how they deliver the same impact.</p>	<p>Good</p>	<p>Self-assessment of the role of the Treasurer is compliant with the governance requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government</p> <p>Qualified Treasurer, sits on Exec Board and reports directly to Chief Fire Officer</p> <p>Regular appraisal, with updated process implemented this year</p> <p>Contract standing orders, financial regulations, budget holder instructions all updated</p> <p>Comprehensive budget setting/monitoring arrangement in place, linked to corporate objectives and priorities. Budget is delegated appropriately and aligned with operational responsibility</p>
<p>Ensuring effective arrangements are in place for the discharge of the monitoring officer function.</p>	<p>Good</p>	<p>Clerk to the Authority is the monitoring officer</p> <p>Appropriately qualified/experienced</p> <p>Regular appraisal</p> <p>Procedural standing orders reviewed</p> <p>Scheme of delegation in place, scheduled for review in June 2018</p>
<p>Ensuring effective arrangements are in place for the discharge of the head of paid service function.</p>	<p>Good</p>	<p>CFO is the head of paid service</p> <p>Regular appraisal with Chairman</p>
<p>Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</p>	<p>Good</p>	<p>Member Training and Development Committee</p> <p>All Members subject to a one to one to identify training and development needs. Specific Member training budget to address outcome s of this.</p> <p>Senior Officers subject to appraisal system, including identification of training and</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		development needs
<p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.</p>	<p>Good</p>	<p>Comprehensive Risk Mgt Strategy</p> <p>Corporate Risk Register</p> <p>Corporate Programme Board items include an assessment of risk</p> <p>Revised BCP arrangements agreed. All departments have completed Business Impact Assessments and Recovery Plans. Strategic Plan is completed in place and tested on a regular basis.</p> <p>Additional resilience built into ICT network</p> <p>Appropriate insurance arrangements</p>
<p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.</p>	<p>Good</p>	<p>Anti-fraud policy</p> <p>Fraud risk assessment undertaken in 2016/17</p> <p>Full compliance with National Fraud Initiative</p>
<p>Ensuring the assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact.</p>	<p>Good</p>	<p>Internal Audit is outsourced to Lancashire County Council</p> <p>Internal Audit Charter in place</p> <p>Internal Audit Service Quality Assurance and Improvement Programme process agreed</p> <p>Lancashire County Council comply with CIPFA statement</p> <p>Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities.	Good	<p>Audit Committee established and updated terms of reference agreed</p> <p>All core functions of an Audit Committee are covered by the existing terms of reference</p> <p>Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present</p>
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations	Good	<p>Audit Committee established and updated terms of reference agreed</p> <p>All core functions of an Audit Committee are covered by the existing terms of reference</p> <p>Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority</p> <p>Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present</p> <p>No issues identified by either Internal or External Auditor,</p>
Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.	Good	<p>A framework has been developed to review potential partnership arrangements utilising the following criteria:</p> <ul style="list-style-type: none"> • 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.)? <p>Statement of Intent signed with Lancashire Constabulary</p> <p>Collaboration Group established, with regular reports to member task and finish group</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Staff resources are adequate in numbers and skills to deliver the service objectives. The roles and responsibilities of staff and members have been clearly defined and are understood, and appropriate guidance and training are in place</p>	<p>Good</p>	<p>Workforce Development Strategy agreed</p> <p>Agreed establishment in line with approved budget. Agreed process for revising establishment.</p> <p>Job descriptions in place</p> <p>Appropriate recruitment checks undertaken</p> <p>Updated staff induction process in place, incorporating LearnPro module</p> <p>Updated code of conduct in place and provided to all staff as part of induction.</p> <p>Appropriate performance management arrangements</p> <p>Updated appraisal system, including identification of training and development needs</p> <p>Introduction of:-</p> <ul style="list-style-type: none"> • Action Learning Sets • Team Talks • Coaching and Mentoring • Leadership Conference <p>Coaching and mentoring programme introduced</p> <p>Creation of Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>Updated staff engagement strategy and improvement action plan agreed and implemented.</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2017/18**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		Further work required to look at reviewing staff recognition and developing staff sounding board.
<p>There are adequate contingency procedures to ensure that services can be resumed in case of emergency.</p> <p>Contingency procedures are well communicated</p>	Good	<p>Revised BCP arrangements agreed. Strategic Plan is completed All departments have completed Business Impact Assessments and Recovery Plans.</p> <p>BCP is considered as a standing item on SMT</p> <p>BCP plan tested on a regular basis, and amended as required</p> <p>Active member of Lancashire Resilience Forum</p> <p>Appropriate BCP arrangements in place in respect of systems and information,</p>
<p>Processes have been established to ensure that corporate and local service policies and procedures are implemented effectively and are periodically reviewed</p>	Good	<p>System of internal control established</p> <p>Policies and service orders are regularly reviewed, in line with an agreed timetable</p> <p>Internal audit reviews have not identified any significant weaknesses</p> <p>External audit reviews have not identified any significant weaknesses</p>

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 <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 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 2018 and up to the date of approval of the 2017/18 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 seven 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 last year and can be found on our website at <https://www.lancsfire.org.uk/wp-content/uploads/2018/04/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 2018/19 was approved this year and can be found on our website at <https://www.lancsfire.org.uk/wp-content/uploads/2018/04/Integrated-Risk-Management-Plan.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;
- A Corporate Programme Board provides 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 HMICFRS Inspection/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 covers the five year period 2017-2022.
- We updated our Strategic Assessment of Risk and completed an Emergency Cover Review.
- A revised Annual Service Plan has been agreed for 2018/19, 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. This is supported by Local Delivery Plans.
- 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.)?
- Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board. Joint Collaboration group established, reporting through to Members.
- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.

- A revised performance appraisal incorporating values was implemented and rolled out across the Service
- 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.
- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.
- As part of the 2017/18 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 2017/18"* 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 2016/17:
 - 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	Complete/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	Information Management Strategy and a number of underpinning policies agreed. A road map of work to be undertaken has been produced based around 3 key themes which set the direction of travel for the Service. <ul style="list-style-type: none"> • Governance • Quality • Delivery Key projects agreed	Complete	Head of Service Development
Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations	Review of Committees Terms of Reference complete and agreed at CFA in April. Review of Contract Standing Orders and Financial Regulations complete and agreed at Audit Committee in March. Procedural Standing Orders reviewed but no changes identified. Review of Scheme of Delegation complete and due to be reported to Audit Committee in July	Complete	Clerk
Review partnership engagement and opportunities,	A framework has been developed to review potential partnership arrangements utilising the following criteria: <ul style="list-style-type: none"> • Will it make Lancashire Safer? 	Complete	Head of Service Delivery

including develop strategic alliance with Lancashire Constabulary	<ul style="list-style-type: none"> • 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)? <p>Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board.</p> <p>Programme managers appointed within both LFRS and Constabulary.</p> <p>Collaboration group established and opportunities for review agreed.</p> <p>This will form part of on-going programme</p>		
Implement revised staff induction programme	The staff induction programme has been revised and updated. A learn pro induction module has been developed to support this process.	Complete	Head of Human Resources
Implement Leadership Conference	Three Leadership conferences delivered, Spring 2017, Autumn 2017 and Spring 2018. The focus of the Conference was the promotion of a strong culture and one where equality, diversity and Inclusion are valued. The feedback from the Conference was excellent with the majority of participants reflecting on LFRS core values and competencies and their own personal contribution to those values.	Complete	Head of Human Resources
Complete review of staff recognition	Review of staff recognition and development of staff sounding boards has been undertaken. This was placed on hold due to staff changes and pending recruitment of additional resources. The additional resource is now in place and an updated project plan is being developed	On-going, target date for completion December 2018	Head of Corporate Comms

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:

- Complete review of Scheme of Delegation
- Complete review of staff recognition

- Create a new Intranet, incorporating social networking to connect staff across the service

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
29 May 2018

C Kenny,
Chief Fire Officer,
Lancashire Fire and Rescue
Service
29 May 2018

K Mattinson CPFA,
Treasurer, Lancashire
Combined Fire Authority
29 May 2018

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 24 July 2018

REVISIONS TO THE STATEMENT OF ACCOUNTS 2017/18 (Appendices 1 and 2 refer)

Contact for further information:

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

Executive Summary

This report presents the changes made during the audit of the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2018.

Recommendation

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

Information

The core Financial Statements for the financial year ended 31 March 2018 were presented to Resources Committee in May (see report attached as appendix 1). The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2018;
- this would be subject to review by the Authority's external auditors, Grant Thornton;
- that a further report would be presented to the Audit Committee in July, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer;
- Following this a final audited set of accounts will be presented to the Resources Committee for information.

In light of this the Committee noted and endorsed the report and accounts, based on the various outturn reports presented on the same agenda.

Subsequent to that the full set of accounts were produced and signed by the Treasurer and submitted for audit to Grant Thornton.

The Statement of Accounts has now been updated to reflect the following changes identified during the audit (as reported in the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts is attached as appendix 2.

Adjusted Misstatements

The accounts have been adjusted to reflect our share of North West Fire Control. This impacts throughout the accounts changing the core financial statements as well as the detailed notes supporting these (see page 14-15 of the External Audit Findings). However it is worth noting that excluding this adjustment the only changes to the core financial statements are as follows:-

Comprehensive Income and Expenditure Account	
• Service Delivery (reclassification of PFI recharges, Cadets and ISAR)	-9
• Strategy and Planning (reclassification of Cadets and ISAR)	-17
• Overheads (reclassification of PFI recharges)	26
Balance Sheet	
• LT loans (accrued interest moved to creditors, 16/17 figures were also restated for this)	-22
• Creditors (accrued interest moved from long term loans,16/17 figures were also restated for this)	22

Misclassifications and disclosure changes

Going Concern Note	We have added an accounting policy to confirm this
EFA –Income and Expenditure analysis by nature	We have added an accounting note for this
Movement the property, plant and equipment valuations	We have expanded the note to include movement in the property, plant and equipment valuations for the past 4 years.
Capital Commitments	We have updated this to exclude commitments which don't create a fixed asset, but which re treated as being funded through capital due to their overall value,

Approval and Signing of the Accounts

As all changes requested by Grant Thornton have been made to the accounts the Treasurer to the Fire Authority and the Chair of the Audit Committee are therefore required to approve the revised accounts by signing off the Balance Sheet (Page 22) and the Statement of Responsibilities (page 18).

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	<i>Date</i>	Contact
Code and Guidance	February 2018	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	April - July 2018	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

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**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 21 May 2018

**Core Financial Statement 2017/18
(Appendices 1, 2, 3, 4 and 5 refer)**

Contact for further information:

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

Executive Summary

This report presents the Core Financial Statements, which form part of the Statement of Accounts, for the Combined Fire Authority for the financial year ended 31 March 2018.

Recommendation

The Committee is asked note and endorse the Core Financial Statements.

Information

The Combined Fire Authority's Core Financial Statements, which form part of the Statement of Accounts, are attached as Appendix 1. The Statements takes account of the information presented in the Year End Revenue Outturn, Year End Capital Outturn, Year End Treasury Management Outturn and Year End Usable Reserves and Provisions Outturn reports. However it must be borne in mind that they are prepared in line with recommended accounting practice and this is not accounted for on the same basis as we account for council tax. As such this means they do not match the details in the Outturn reports, and hence the following sections provide an overview of each statement and a reconciliation between Outturn reports and the Core Financial statements where appropriate.

Narrative Report

This sets out the financial context in which the Combined Fire Authority operates, and provides an overview of the financial year 2017/18 as well as details of future plans.

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 main points to note are: -

	2017/18	2016/17	
Service Delivery	27,009	22,775	The cost of Service Delivery shows an increase when compared with the previous year, costs have increased reflecting investment made into RDS pay, Retained Support Officers and Trainers, however the majority of the increase is attributable to changes associated with the adjustment required in respect of pension liabilities under IAS 19.
Strategy & Planning	7,483	6,618	The cost of Strategy & Planning shows an increase when compared with the previous year, with the majority of this also relating to the adjustment required in respect of pension liabilities under IAS 19.
People & Development	1,303	1,123	The cost of People & Development is broadly comparable with last year, with the marginal increase predominantly being due to the adjustment required in respect of pension liabilities under IAS 19.
Corporate Services	4,165	3,162	The cost of Corporate Services shows an increase compared with the previous year, reflecting the transfer of administrative staff from Service Delivery to Corporate Services, the overspend within the Property Department, and adjustment required in respect of pension liabilities under IAS 19.
Fire Fighters Pensions	1,138	1,228	These costs are the ongoing pension's costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	4,621	6,953	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 reduction in Overheads is largely attributable to the previous impairment of Lancaster Fire Station, undertaken in 2016/17
Gain On Disposals Of Fixed Assets	(13)	-	This relates to the sale of surplus land at Penwortham and vehicles
Interest Payable	1,576	1,674	The level of interest payable in respect of current loans has fallen reflecting the early repayments 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	20,983	23,275	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme is unfunded there is no increase in asset value to offset the increase in scheme costs is resulting in a £21.0m charge to the Income and Expenditure Account.
Interest Receivable	(266)	(304)	The level of interest earned on investments has reduced as a 3 year fixed rate investment matured in July, and the interest rates available for re-investment were lower than those achieved 3 years ago.
Council Tax	(28,233)	(27,506)	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	(10,659)	(13,218)	The level of Revenue Support Grant allocated to the Authority by the Government, the reduction reflecting the cut in Government funding
Non-Domestic Rates Redistribution	(14,605)	(15,050)	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.
Business rates S31 grant	(511)	(447)	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	13,992	10,281	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	(5,167)	(9,871)	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	(10,628)	114,465	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	(1,803)	114,875	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

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 set out above:-

	£m
Revenue Outturn	0.007
Earmarked reserves utilised/provided for in year	0.050
Transfer from Provisions	(0.691)
Accounting for pensions under IAS19	13.138
Revenue Contributions to Capital Outlay	(2.421)
Adjustments between accounting basis and funding basis under regulations	3.908
Deficit on the provision of services	13.992
Surplus on revaluation of non-current assets	(5.167)
Actuarial loss on pensions assets and liabilities	(10.628)
Total Comprehensive Income and Expenditure	(1.803)

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 in respect of are:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	36,540	(723,390)	(686,850)	
Deficit on the provision of service	(13,992)	-	(13,992)	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. As set out earlier it 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.
Other Comprehensive Income And Expenditure	-	15,795	15,795	This relates to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities
Charges for depreciation and impairment of non-current assets	4,264	(4,264)	-	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year
Amortisation of intangible assets	122	(122)	-	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Disposal of assets	21	(21)	-	The relates to the revaluation profit on disposal of fixed assets.
Capital grants applied	(505)	505	-	This shows the level of capital grants that have been utilised in the year, these were received from the Government, shown in the Year End Capital Outturn report
Amount by which the Code and the statutory pension costs differ	13,138	(13,138)	-	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	(39)	39	-	This shows the difference in value between the amount due to be raised from council tax and business rates, as

income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements				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 surplus in 2017/18 reflecting the fact that authorities have collected more than anticipated.
Provision for the repayment of debt	(388)	388	-	This is the charge made against the revenue budget to reduce future borrowing requirements, and includes an element relating to debt associated with POFI and finance leases
Capital expenditure charged against General Fund Balance	(1,493)	1,493	-	This is the level of capital expenditure which has been funded from contributions from the 2017/18 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Net increase/decrease before transfers to earmarked reserves	1,129	675	1,803	This shows the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from earmarked reserves	(224)	224	-	These represents the transfers to specific earmarked reserves referred to in the Year End Usable Reserves and Provisions Outturn report.
Transfers (to)/from capital funding reserves	(2,416)	2,416	-	These represents the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	(9)	-	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	(1,502)	3,305	1,803	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 and ties into the overall change in Usable reserves included in the Year End Usable Reserves and Provisions Outturn report
Balance at 31 March	35,038	(720,085)	(685,047)	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 Usable Reserves and Provisions Outturn report.

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: -

	2017/18	2016/17	
Long Term Assets			
Property, Plant & Equipment	93,764	88,223	The value of property, plant & equipment has increased by £5.5m, due to the level of capital expenditure (£4.6m as shown in the Year End Capital Outturn report) and the net revaluation gains of £4.5m compared with depreciation charges of £3.6m.
Intangible assets	106	228	Intangible assets are assets which do not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	5,000	5,000	The Authority holds one investment with Local Government bodies which is classed as long term investments, ie over 3 months in duration, as shown in the Year End Treasury Management Outturn report. .
Current Assets			
Assets Held for Sale	-	21	The surplus plot of land at Penwortham was sold in the 2017.
Inventories	228	207	The value of stock held has remained broadly in line with last year.
Short-Term Investments	-	5,000	Last year's short term investment matured in 2017.
Short-Term Debtors	10,465	10,746	Debtors represent monies owed to the Authority on 31st March 2018. 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 remained consistent, with the main debt reacting to Council Tax, Business Rates (which represent our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due during July 2018.
Cash & Cash Equivalents	28,604	29,061	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report.
Current Liabilities			
Short-Term Borrowing	-	(333)	Following the repayment of debt in year the Authority does not hold any short term borrowing, i.e. debt repayable within the next 12 months
Other Short-Term Liabilities	(329)	(335)	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	(6,311)	(6,376)	This figure represents the amount of money we owe to

Creditors			other bodies at 31st March 201. The overall balance is broadly in line with last year.
Long Term Liabilities			
Provisions	(1,084)	(1,763)	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. The reduction relates to the Insurance Provision, which has been reduced reflecting our excellent claims history
Long-Term Borrowing	(2,022)	(5,243)	This represents the amount of long term debt that the Authority holds which does not mature within the next 12 months. As referred to in the Year End Treasury Management Outturn report the Authority paid off £3.2m of long term debt leaving balance of £2.0m which is due to mature between 2035-2037.
Other Long-Term Liabilities	(813,466)	(811,285)	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 £799m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; <ul style="list-style-type: none"> • PFF Lancashire Ltd for the provision of two fire stations, • Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to an outstanding finance lease.
Total Assets Less Liabilities	(685,046)	(686,850)	

Financed By			
Usable Reserves:			
Revenue Reserves	(15,712)	(17,902)	This is the level of reserves, £15.7m, that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves. The reduction in year represents the transfer of £2.6m to the capital funding reserve in order to meet current and future year's capital costs, as referred to in the Year End Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,745)	(16,633)	This reserve holds £17.7m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant	-	(505)	The capital grant received in 2015/16, has been fully

Unapplied			utilised on the rebuild of Lancaster Fire and Ambulance Station as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Usable Capital Receipts Reserve	(1,581)	(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. The increase in value representing the sale proceeds from the surplus land at Penwortham and vehicles, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Unusable Reserves:			
Revaluation Reserve	(40,862)	(36,957)	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	(38,641)	(36,762)	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.
Collection Fund Adjustment Account	(704)	(664)	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 £704k
Accumulated Absences Adjustment Account	813	804	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.
Pensions Reserve	799,479	796,969	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.
	(685,046)	(686,850)	

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:-

	2017/18	2016/17	
Cash and cash equivalents at 1 April	29,061	28,562	This shows the net cash immediately available within the Authority.
Net Cash Flows Arising From Operating	4,714	5,750	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

Activities			respect of employee costs and non pay costs etc.
Investing Activities	232	(3,081)	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as £4.6m of expenditure on capital assets. This is offset by the decrease in short term deposits
Financing Activities	(5,402)	(2,170)	The majority of this relates to the repayment of long term debt, including that associated with PFI and finance leases
Cash and cash equivalents at 31 March	28,605	29,061	This shows the net cash immediately available within the Authority in a call account with LCC. This shows a marginal reduction, reflecting the level of capital investment and the repayment of debt undertaken in year, and ties in to the figure included in the Treasury Management Outturn report

Signing of the Statement of Accounts

The unaudited Statement of Accounts will be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2018.

This will be 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 in July, following completion of the external audit. At this meeting the Chair of the Audit Committee will be asked to sign the final statement of accounts, as well as the Treasurer. Following which a final audited set of accounts will be presented to the Resources Committee for information.

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	<i>Date</i>	Contact
SORP and Guidance	February 2018	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	May 2018	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Narrative Report

Review of the Year

We have remained financially secure and are in a strong position not only to face future challenges but to lead innovation and improvements in our sector. We have continued to invest in people, training and equipment; prioritised operational effectiveness and efficiency to meet the challenges of an increasingly complex environment; embedded clear values and strong leadership throughout the organisation; and looked for new ways to collaborate to improve services for local people.

We have continued to invest in our Retained Duty System personnel, implement an enhanced pay scheme, embedding the Retained Support Officer role and providing greater training opportunities for personnel in development. All of these activities are designed to improve our recruitment, retention and competency within this element of the Service

2017/18 saw our first significant external recruitment campaign for whole-time firefighters in over 10 years. As a result of this the Authority recruited 49 new whole-time firefighters in 2017/18, of which 10% were female and 10% were from a BME background.

Our Operational Assurance Team is now fully embedded in the Service, focusing on reviewing preparedness, response and learning, in order to enhance service delivery.

Training facilities have been improved with the completion of a Multi Compartment Fire-Fighting prop at our Training Centre, which has enhanced our ability to replicate and train against national learning and a wide range of scenarios.

We have continued to invest in providing the best operational equipment, introducing a new type of vehicle, the AT Stinger (the first of its kind in the UK), which has increased capability to deal with fires in roof spaces more effectively, as well as providing a safer operational environment at incidents. We have also replaced our Thermal Imaging Cameras with new state of the art cameras, improving search facilities as well as firefighter safety.

We undertook an Emergency Cover Review, to ensure that our emergency response provision matches fire risk in Lancashire. The review confirmed that we are able to respond safely and effectively and that no changes to staffing or fire stations were required.

We launched a Leadership conference in April, with a second one taking place mid-year, and with further conferences planned for the new financial year. This has enabled us to focus more clearly on developing a strong organisational culture based on clear values and leadership.

We have continued to develop collaborative opportunities, signing a Statement of Intent and establishing a joint collaboration group with the Constabulary to explore further opportunities. The joint Fire and Ambulance station at Lancaster is nearing completion, and we are continuing to review further opportunities for site sharing with both NWS and Lancashire Constabulary.

The Safe and Well visit has now been fully incorporated into our Home Fire Safety Check Service. All our visits to householders now have additional checks, supplementary to our primary Fire advice, to identify and mitigate risk factors that impact on health and wellbeing. These additional strands have been subjected to and approved through a national Standard Evaluation Framework that focuses on providing best practise for Fire and Rescue

Services. Training has now been completed for all LFRS personnel who carry out these duties. The process in place now ensures that LFRS personnel can signpost those in need of assistance with health or wellbeing issues to the relevant partner agency in the respective geographical area.

Non-financial performance has remained strong. 2017/18 activity has increased by 4.5% to almost 15,900 incidents, a greater count than any of the previous 5 years. The number of accidental dwelling fires saw a 10% increase; however the overall casualty numbers decreased to the lowest level in the last 10 years to 43, a 10% reduction. Deliberate dwelling fires saw a slight decrease and is also at a 10 year low. A total of 601 gaining entry incidents were undertaken in 2017/18, an increase of 29% over the 467 recorded in 2016/17.

The 2017/18 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.

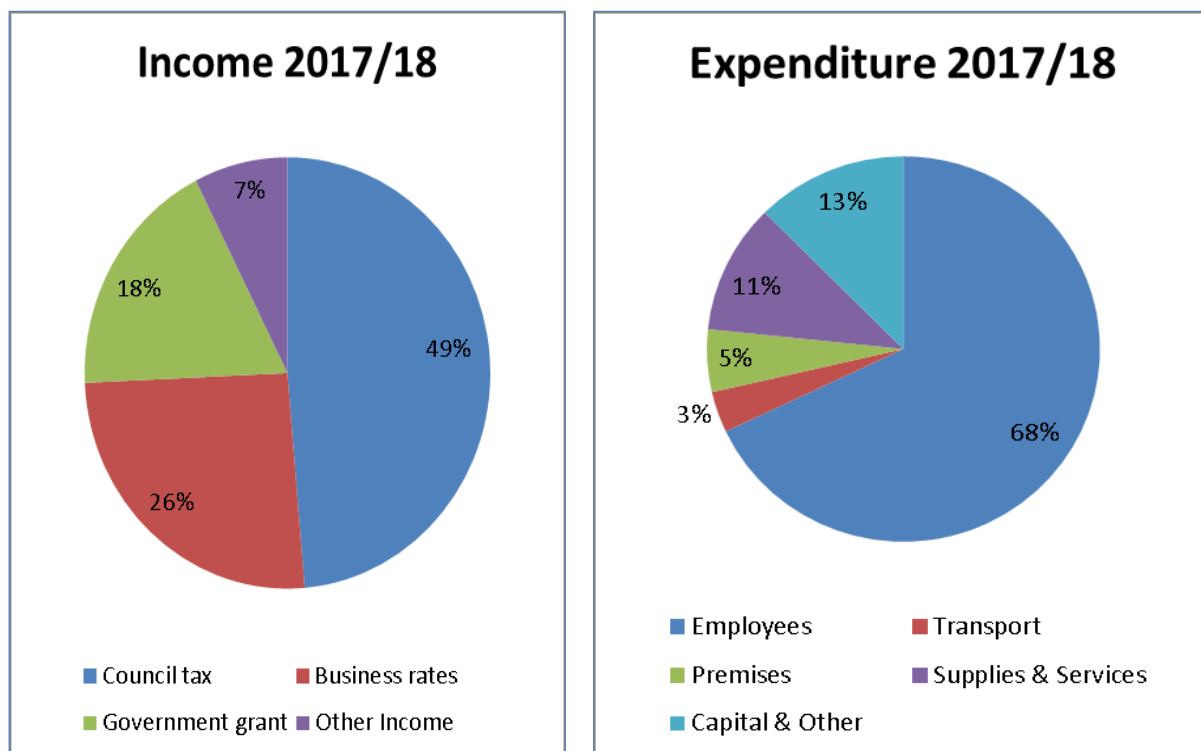
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account of known and anticipated pressures
- maintain an adequate level of reserves

2017/18 was the second year of the Governments four year funding settlement, and in line with this Government funding, which comprises Revenue Support Grant and a proportion of Non-Domestic Rates Redistribution, fell by £2.3m to £25.3m. The Authority had to identify efficiencies of £1.6m in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £53.9m, a reduction of 3%, and a council tax of £65.50, which is just under £1.26 per week. This represented a freeze on council tax, with Lancashire being the only Fire Authority in the country to achieve this. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

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 £2.0m in year against an anticipated target of £1.6m. The net revenue position shows an underspend on pay, as a result of staffing vacancies being held pending recruitment, which was utilised to fund the procurement of a Water Tower, which the Service had initially leased on a 12 month trial. Hence the overall budget broke-even, with net expenditure matching the budget at £53.9m.

The following charts show a breakdown of where the monies we received 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:

	Budget £000	Spend £000	(Under)/ over spend £000
Expenditure			
Employees: pay costs	39,543	39,155	(388)
Other employee related costs	548	476	(72)
Premises	2,910	3,062	153
Transport	1,995	1,999	4
Supplies & services	7,566	6,350	(1,216)
Capital financing costs & other	5,507	7,262	1,755
Total Expenditure	58,068	58,305	237
Other Income	(4,100)	(4,347)	(247)
Budget requirement	53,968	53,958	(10)
Funded by:			
Council tax	(28,366)	(28,366)	(0)
Business rates	(14,943)	(14,943)	0
Government grant	(10,659)	(10,659)	-
	(53,968)	(53,968)	(0)
Net underspend	-	(10)	(10)

The Authority transferred £2.6m from the general fund balance to the capital funding reserve, in order to meet future capital commitments. As a result of this the general fund balance fell to £7.8m, still within the target level identified by the Treasurer (a minimum of £2.5m and a maximum of £10.0m). This still provides capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified, and the on-going use of reserves remains 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 2018/19 budget, shows approx. £5m of reserves being used by March 2022 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £8m of earmarked revenue reserves and £19m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £7.5m and £0.5m respectively by March 2022. It is also worth noting that over half of the earmarked reserve relates to the Authorities two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £4.6m, as set out below:-

	Spend
Vehicles	
<ul style="list-style-type: none"> Pumping Appliances – completion of 5 Pumping Appliances from the 2016/17 capital programme plus 6 Pumping Appliances from the 2017/18 capital programme 	£1.7m
<ul style="list-style-type: none"> Operational Support Vehicles – purchase of Water Tower plus various support vehicles, such as vans and cars 	£0.7m
Operational Equipment	
<ul style="list-style-type: none"> Purchase of Thermal Imaging Cameras and various innovations in firefighting equipment, such as Fog Spikes 	£0.3m
Buildings	
<ul style="list-style-type: none"> Training Centre site works, including work relating to onsite training props and the replacement water main 	£0.2m
<ul style="list-style-type: none"> Stage payments relating to the new joint Fire/Ambulance Station project in Lancaster, which is due completion by June 2018. 	£1.5m
<ul style="list-style-type: none"> Other 	£0.2m
Total	£4.6m

The Balance Sheet shows that the Authorities Total Net Liabilities remaining broadly consistent at £685m. 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 £799m is extremely large. If this liability was excluded the Authorities Total Net Assets would be £114m.

Long term assets have increased in value to £99m, reflecting the expenditure incurred in year and the net outcome of revaluations.

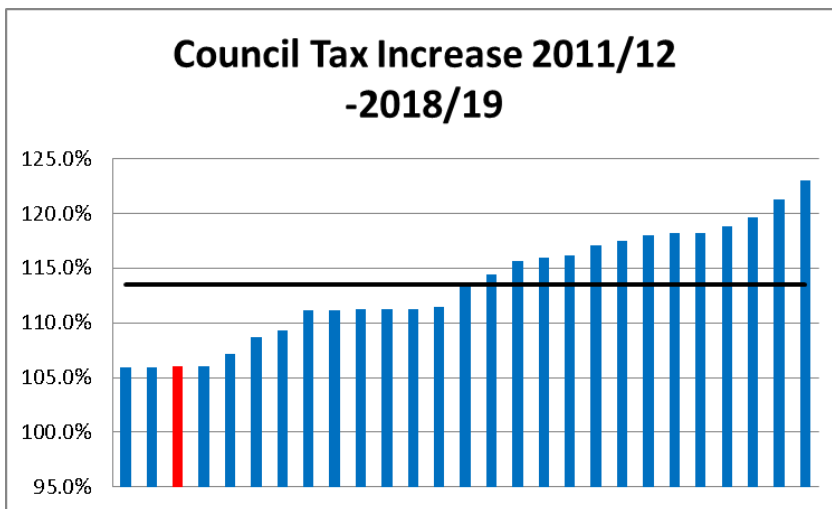
Long term borrowing has reduced to £2m, reflecting the repayment of £0.3m of debt which matured in December, plus the early repayment of £3m of debt in October. The later incurring an early repayment charge of £0.6m, but reducing future interest payments by £0.8m.

Future Financial Plans

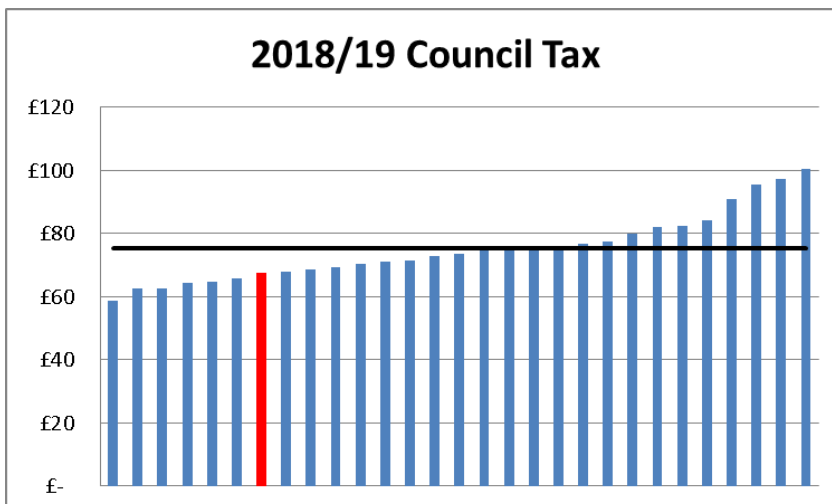
The next two years will be the last of the four year funding settlement. As such we are able to predict the scale of future Government funding cuts at £1.0m in 2018/19 and £0.5m in 2019/20. As part of this year's settlement the Government relaxed its council tax referendum principles, allowing for increased inflationary pressures, which resulted in a threshold of 3% being agreed for the next 2 years.

The Authority has plans to deliver £0.8m of efficiencies in 2018/19. These are partly offset by costs associated with pay awards, the full extent of which is not known at the present time. Overall these changes result in a revenue budget of £55.1m, however in order to deliver a council tax increase within the referendum limit (3%) an additional, as yet unidentified, savings target of £0.3m was agreed. Therefore the net revenue budget requirement is £54.8m, an increase of 1.5%, resulting in a council tax of £67.46, an increase of 2.99%. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

However it is worth noting that our council tax has increased by just 6.0% since 2010/11, the joint second lowest of any Authority and considerably lower than the average increase of 13.5%:-



Our 2018/19 council tax of £67.46 is still below the national average of £75.15, and is the seventh lowest of any Fire Authority



2019/20 will be the last year of the four year settlement with a further funding cut of £0.5m being expected. We will continue to deliver a further £0.3m of savings but this will not keep pace with inflationary pressures or anticipated increase in pension costs. As a result we are currently anticipating a £1m funding gap and hence we will continue to utilise reserves and identify further savings in order to deliver a balanced budget in the medium term.

Given economic uncertainty, particularly surrounding Brexit, and the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we have assumed that funding is frozen in future years.

Based on this we will be faced with a funding gap in future years, the extent of which depends on future council tax decisions, and 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.

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 £21m over the next five years.

This includes the re-build of Preston Fire Station, and we will finalise options for this in 2018/19, with building works likely to start the following year and last over 18 months.

We will continue to invest in training assets, with work on-going to develop plans to enhance training facilities and provide new workshop facilities at the Training Centre.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes the replacement of our 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 identified in the provisional four year 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/pay-awards;
- Larger increases in future pensions costs/contributions,

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

Comprehensive Income & Expenditure Account

	2017/18			2016/17		
				Restated		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Continuing operations						
Service Delivery	28,892	(1,883)	27,009	24,594	(1,819)	22,775
Strategy & Planning	8,097	(614)	7,483	7,021	(403)	6,618
People & Development	1,303	(1)	1,303	1,123	0	1,123
Corporate Services	4,224	(59)	4,165	3,219	(57)	3,162
FF Pensions	1,138	(1)	1,138	1,232	(4)	1,228
Overheads	6,411	(1,790)	4,621	8,749	(1,796)	6,953
Net cost of services	50,067	(4,347)	45,720	45,938	(4,079)	41,859
Other operating expenditure						
(Gain)/Loss on disposal of fixed assets			(13)			0
Financing & investment income & expenditure						
Interest payable and similar charges			1,576			1,674
Pensions interest cost and expected return on pensions assets			20,983			23,275
Interest and investment income			(266)			(304)
Taxation and non-specific grant income						
Council tax			(28,233)			(27,506)
Revenue support grant			(10,659)			(13,218)
Non-domestic rates redistribution			(14,605)			(15,050)
Non specific grant income:						
Capital grant			-			0
Business rates S31 grant			(511)			(447)
Deficit on provision of services			13,992			10,281
(Surplus)/Deficit on revaluation of fixed assets			(5,167)			(9,871)
Actuarial (gains)/losses on pension fund assets			(10,628)			114,465
Other comprehensive income & expenditure			(15,795)			104,594
Total Comprehensive Income and Expenditure			(1,803)			114,875

Movement in Reserves Statement

	Usable Reserves							Unusable Reserves						Total reserves
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Fund	Capital grant unapplied	Usable Capital Receipts	Usable Reserves	Reval Reserve	CAA	AAAA	Coll Fund	Pension Reserve	Unusable Reserves	
Bal at 1.4.17	10,446	7,455	17,901	16,633	505	1,501	36,540	36,957	36,762	(804)	664	(796,969)	(723,390)	(686,850)
Surplus/(Deficit) on provision of services	(13,992)		(13,992)				(13,992)						-	(13,992)
Other comprehensive income &			-				-	5,167				10,628	15,795	15,795
Total comprehensive income &	(13,992)	-	(13,992)	-	-	-	(13,992)	5,167	-	-	-	10,628	15,795	1,803
Adjustments between accounting basis and funding basis under regulations:														
Depreciation & impairment of non-current assets	4,264		4,264				4,264	(1,214)	(3,050)				(4,264)	0
Amortisation of intangible assets	122		122				122		(122)				(122)	-
Write off of assets disposed	(60)		(60)			81	21	(47)	26				(21)	0
Utilisation of capital grant unapplied			-		(505)		(505)		505				505	-
Amount by which the code & statutory pension costs differ	13,138		13,138				13,138				(13,138)		(13,138)	-
Amount by which the collection fund income in CI&E is different to the amount taken from the GFB	(39)		(39)				(39)				39		39	-
Statutory provision for the repayment of debt	(330)		(330)				(330)		330				330	-
Capital expenditure charged to the GFB	(1,493)		(1,493)				(1,493)		1,493				1,493	-
Voluntary provision for the repayment of debt	(58)		(58)				(58)		58				58	-
	15,545	-	15,545	-	(505)	81	15,120	(1,261)	(760)	-	39	(13,138)	(15,120)	0
Net increase/decrease before transfers to earmarked reserves	1,553	-	1,553	-	(505)	81	1,129	3,905	(760)	-	39	(2,510)	675	1,803
Tfr to/(from) earmarked reserves	(652)	428	(224)				(224)		224				224	-
Tfr to/(from) capital fund	(3,528)		(3,528)	1,112			(2,416)		2,416				2,416	-
Postings between the GFB and AAAA	9		9				9			(9)			(9)	-
Net tfr to/(from) earmarked reserves	(4,171)	428	(3,743)	1,112	-	-	(2,631)	-	2,640	(9)	-	-	2,631	-
Increase/Decrease in the year	(2,618)	428	(2,190)	1,112	(505)	81	(1,502)	3,905	1,880	(9)	39	(2,510)	3,305	1,803
Bal at 31.3.18	7,828	7,883	15,711	17,745	-	1,581	35,038	40,862	38,642	(813)	704	(799,479)	(720,085)	(685,047)

Balance Sheet

	2017/18	2016/17
	£000	£000
Property, plant & equipment	93,764	88,223
Intangible assets	106	228
Long-term investments	5,000	5,000
Total Long Term Assets	98,870	93,451
Assets held for sale		21
Inventories	228	207
Short term investments		5,000
Short term debtors	10,465	10,746
Cash & cash equivalents	28,604	29,061
Current Assets	39,297	45,035
Short term borrowing		(333)
Other short term liabilities	(329)	(335)
Short term creditors	(6,311)	(6,376)
Current Liabilities	(6,641)	(7,044)
Provisions	(1,084)	(1,763)
Long term borrowing	(2,022)	(5,243)
Other long term liabilities	(813,466)	(811,285)
Long Term Liabilities	(816,573)	(818,291)
TOTAL ASSETS LESS LIABILITIES	(685,046)	(686,850)
FINANCED BY:		
Revenue Reserves	(15,712)	(17,902)
Capital Funding Reserve	(17,745)	(16,633)
Capital grants unapplied		(505)
Usable Capital Receipts Reserve	(1,581)	(1,501)
Usable Reserves:	(35,039)	(36,541)
Revaluation Reserve	(40,862)	(36,957)
Capital Adjustment Account	(38,641)	(36,762)
Collection Fund Adjustment Account	(704)	(664)
Accumulated Absences Adjustment Account	813	804
Pensions Reserve	799,479	796,969
Unusable Reserves:	720,085	723,390
Total Net Worth	685,046	686,850

Cash Flow Statement

	2017/18	2016/17
	£000	£000
Net deficit on the provision of services	(13,992)	(10,281)
Adjustments to net deficit on the provision of services for non-cash movements	17,251	14,538
Adjustments to net deficit on the provision of services for investing/financing activities	1,455	1,493
Net cash inflows from operating activities	4,714	5,750
Investing activities		
Purchase of fixed assets & other capital spend	(4,868)	(3,200)
Increase in long term deposits	-	-
Decrease in short term deposits	5,000	-
Receipts from investing activities	99	119
	232	(3,081)
Financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(335)	(308)
Repayment of long term borrowing	(3,514)	(250)
Payments for financing activities	(1,553)	(1,612)
	(5,402)	(2,170)
Net increase or (decrease) in cash and cash equivalents	(456)	499
Cash and cash equivalents at the beginning of the reporting period	29,061	28,562
Cash and cash equivalents at the end of the reporting period	28,605	29,061

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STATEMENT OF ACCOUNTS

2017/18

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2017/18

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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 2017/18
- 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 2018 (referred to as 2017/18). 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 2017/18. 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 2017/18, 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 2018, 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

We have remained financially secure and are in a strong position not only to face future challenges but to lead innovation and improvements in our sector. We have continued to invest in people, training and equipment; prioritised operational effectiveness and efficiency to meet the challenges of an increasingly complex environment; embedded clear values and strong leadership throughout the organisation; and looked for new ways to collaborate to improve services for local people.

We have continued to invest in our Retained Duty System personnel, implement an enhanced pay scheme, embedding the Retained Support Officer role and providing greater training opportunities for personnel in development. All of these activities are designed to improve our recruitment, retention and competency within this element of the Service

2017/18 saw our first significant external recruitment campaign for whole-time firefighters in over 10 years. As a result of this the Authority recruited 49 new whole-time firefighters in 2017/18, of which 10% were female and 10% were from a BME background.

Our Operational Assurance Team is now fully embedded in the Service, focusing on reviewing preparedness, response and learning, in order to enhance service delivery.

Training facilities have been improved with the completion of a Multi Compartment Fire-Fighting prop at our Training Centre, which has enhanced our ability to replicate and train against national learning and a wide range of scenarios.

We have continued to invest in providing the best operational equipment, introducing a new type of vehicle, the AT Stinger (the first of its kind in the UK), which has increased capability to deal with fires in roof spaces more effectively, as well as providing a safer operational environment at incidents. We have also replaced our Thermal Imaging Cameras with new state of the art cameras, improving search facilities as well as firefighter safety.

We undertook an Emergency Cover Review, to ensure that our emergency response provision matches fire risk in Lancashire. The review confirmed that we are able to respond safely and effectively and that no changes to staffing or fire stations were required.

We launched a Leadership conference in April, with a second one taking place mid-year, and with further conferences planned for the new financial year. This has enabled us to focus more clearly on developing a strong organisational culture based on clear values and leadership.

We have continued to develop collaborative opportunities, signing a Statement of Intent and establishing a joint collaboration group with the Constabulary to explore further opportunities. The joint Fire and Ambulance station at Lancaster is nearing completion, and we are continuing to review further opportunities for site sharing with both NWAS and Lancashire Constabulary.

The Safe and Well visit has now been fully incorporated into our Home Fire Safety Check Service. All our visits to householders now have additional checks, supplementary to our primary Fire advice, to identify and mitigate risk factors that impact on health and wellbeing. These additional strands have been subjected to and approved through a national Standard Evaluation Framework that focuses on providing best practise for Fire and Rescue Services. Training has now been completed for all LFRS personnel who carry out these duties. The process in place now ensures that LFRS personnel can signpost those in need of assistance with health or wellbeing issues to the relevant partner agency in the respective geographical area.

Non-financial performance has remained strong. 2017/18 activity has increased by 4.5% to almost 15,900 incidents, a greater count than any of the previous 5 years. The number of accidental dwelling fires saw a 10% increase; however the overall casualty numbers decreased to the lowest level in the last 10 years to 43, a 10% reduction. Deliberate dwelling fires saw a slight decrease and is also at a 10 year low. A total of

601 gaining entry incidents were undertaken in 2017/18, an increase of 29% over the 467 recorded in 2016/17.

The 2017/18 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.

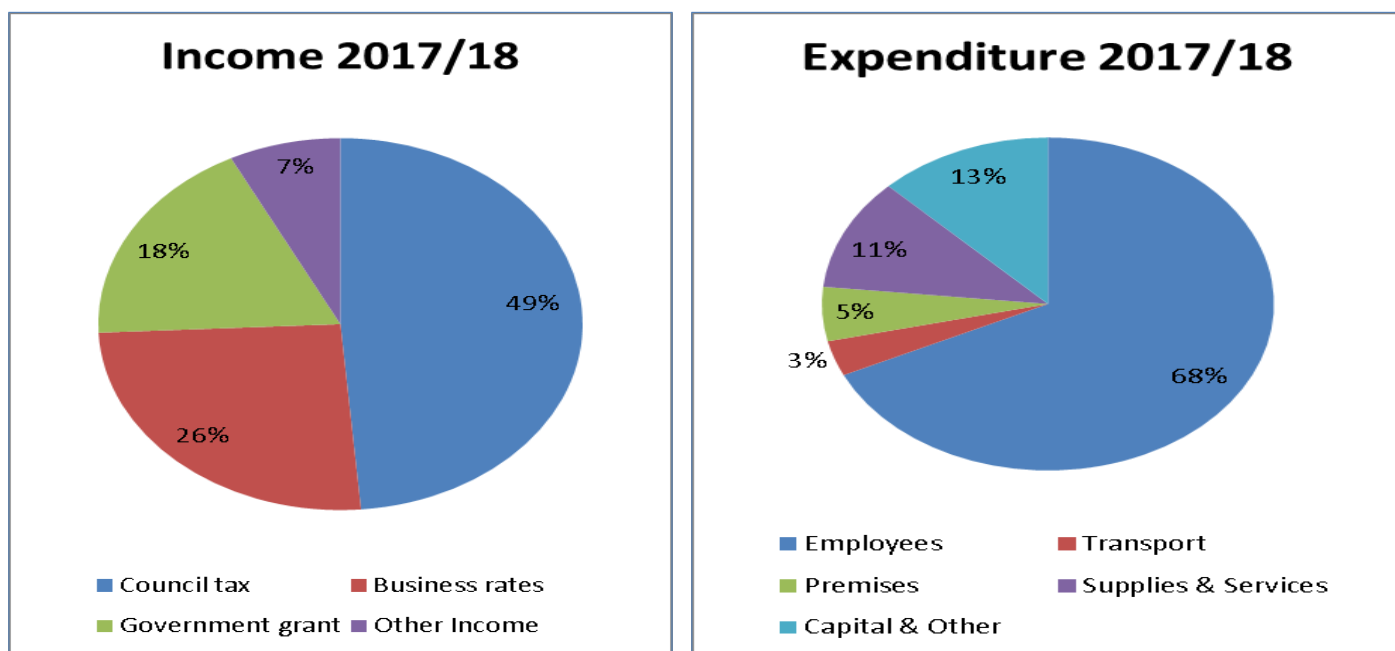
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account of known and anticipated pressures
- maintain an adequate level of reserves

2017/18 was the second year of the Government's four year funding settlement, and in line with this Government funding, which comprises Revenue Support Grant and a proportion of Non-Domestic Rates Redistribution, fell by £2.3m to £25.3m. The Authority had to identify efficiencies of £1.6m in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £53.9m, a reduction of 3%, and a council tax of £65.50, which is just under £1.26 per week. This represented a freeze on council tax, with Lancashire being the only Fire Authority in the country to achieve this. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

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 £2.0m in year against an anticipated target of £1.6m. The net revenue position shows an underspend on pay, as a result of staffing vacancies being held pending recruitment, which was utilised to fund the procurement of a Water Tower, which the Service had initially leased on a 12 month trial. Hence the overall budget broke-even, with net expenditure matching the budget at £53.9m.

The following charts show a breakdown of where the monies we received 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:

	Budget £000	Spend £000	(Under)/ over spend £000
Expenditure			
Employees: pay costs	39,543	39,155	(388)
Other employee related costs	548	476	(72)
Premises	2,910	3,062	153
Transport	1,995	1,999	4
Supplies & services	7,566	6,350	(1,216)
Capital financing costs & other	5,507	7,262	1,755
Total Expenditure	58,068	58,305	237
Other Income	(4,100)	(4,347)	(247)
Budget requirement	53,968	53,958	(10)
Funded by:			
Council tax	(28,366)	(28,366)	(0)
Business rates	(14,943)	(14,943)	0
Government grant	(10,659)	(10,659)	-
	(53,968)	(53,968)	(0)
Net underspend	-	(10)	(10)

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 19.

	£m
Revenue Outturn	(0.010)
Earmarked reserves utilised/provided for in year	0.068
Transfer from Provisions	(0.691)
Accounting for pensions under IAS19	13.138
Revenue Contributions to Capital Outlay	(2.421)
Adjustments between accounting basis and funding basis under regulations	3.908
Deficit on the provision of services	13.992
Surplus on revaluation of non-current assets	(5.167)
Actuarial loss on pensions assets and liabilities	(10.628)
Total Comprehensive Income and Expenditure	(1.803)
Recognise 25% share in North West FireControl Limited	0.327
Total Comprehensive Income and Expenditure	(1.476)

The Authority transferred £2.6m from the general fund balance to the capital funding reserve, in order to meet future capital commitments. As a result of this the general fund balance fell to £7.8m, still within the target level identified by the Treasurer (a minimum of £2.5m and a maximum of £10.0m). This still provides capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified, and the on-going use of reserves remains 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 2018/19 budget, shows approx. £5m of reserves being used by March 2022 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £8m of earmarked revenue reserves and £19m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £7.5m and £0.5m respectively by March 2022. It is also worth noting that over half of the earmarked reserve relates to the Authorities two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £4.6m, as set out below:-

	Spend
Vehicles	
<ul style="list-style-type: none"> Pumping Appliances – completion of 5 Pumping Appliances from the 2016/17 capital programme plus 6 Pumping Appliances from the 2017/18 capital programme 	£1.7m
<ul style="list-style-type: none"> Operational Support Vehicles – purchase of Water Tower plus various support vehicles, such as vans and cars 	£0.7m
Operational Equipment	
<ul style="list-style-type: none"> Purchase of Thermal Imaging Cameras and various innovations in firefighting equipment, such as Fog Spikes 	£0.3m
Buildings	
<ul style="list-style-type: none"> Training Centre site works, including work relating to onsite training props and the replacement water main 	£0.2m
<ul style="list-style-type: none"> Stage payments relating to the new joint Fire/Ambulance Station project in Lancaster, which is due completion by June 2018. 	£1.5m
<ul style="list-style-type: none"> Other 	£0.2m
Total	£4.6m

The Balance Sheet shows that the Authorities Total Net Liabilities remaining broadly consistent at £686m. 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 £800m is extremely large. If this liability was excluded the Authorities Total Net Assets would be £114m.

Long term assets have increased in value to £99m, reflecting the expenditure incurred in year and the net outcome of revaluations.

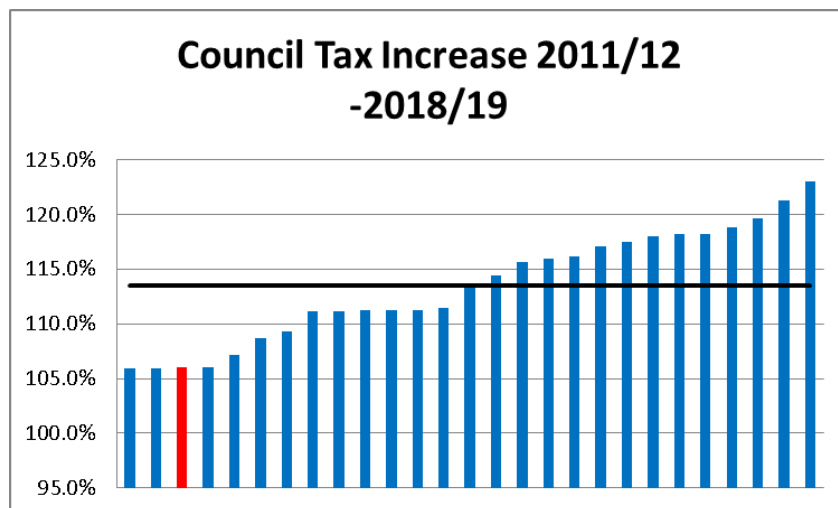
Long term borrowing has reduced to £2m, reflecting the repayment of £0.3m of debt which matured in December, plus the early repayment of £3m of debt in October. The later incurring an early repayment charge of £0.6m, but reducing future interest payments by £0.8m.

Future Financial Plans

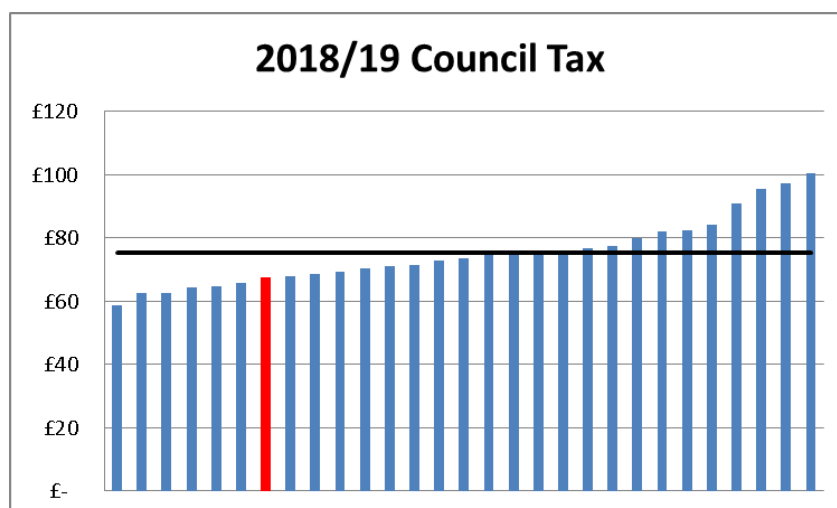
The next two years will be the last of the four year funding settlement. As such we are able to predict the scale of future Government funding cuts at £1.0m in 2018/19 and £0.5m in 2019/20. As part of this year's settlement the Government relaxed its council tax referendum principles, allowing for increased inflationary pressures, which resulted in a threshold of 3% being agreed for the next 2 years.

The Authority has plans to deliver £0.8m of efficiencies in 2018/19. These are partly offset by costs associated with pay awards, the full extent of which is not known at the present time. Overall these changes result in a revenue budget of £55.1m, however in order to deliver a council tax increase within the referendum limit (3%) an additional, as yet unidentified, savings target of £0.3m was agreed. Therefore the net revenue budget requirement is £54.8m, an increase of 1.5%, resulting in a council tax of £67.46, an increase of 2.99%. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

However it is worth noting that our council tax has increased by just 6.0% since 2010/11, the joint second lowest of any Authority and considerably lower than the average increase of 13.5%:-



Our 2018/19 council tax of £67.46 is still below the national average of £75.15, and is the seventh lowest of any Fire Authority



2019/20 will be the last year of the four year settlement with a further funding cut of £0.5m being expected. We will continue to deliver a further £0.3m of savings but this will not keep pace with inflationary pressures or anticipated increase in pension costs. As a result we are currently anticipating a £1m funding gap and hence we will continue to utilise reserves and identify further savings in order to deliver a balanced budget in the medium term.

Given economic uncertainty, particularly surrounding Brexit, and the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we have assumed that funding is frozen in future years.

Based on this we will be faced with a funding gap in future years, the extent of which depends on future council tax decisions, and 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.

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 £21m over the next five years.

This includes the re-build of Preston Fire Station, and we will finalise options for this in 2018/19, with building works likely to start the following year and last over 18 months.

We will continue to invest in training assets, with work on-going to develop plans to enhance training facilities and provide new workshop facilities at the Training Centre.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes the replacement of our 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 identified in the provisional four year 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/pay-awards;
- Larger increases in future pensions costs/contributions,
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements
- Increased cost of partnership arrangements
- Inadequacy of insurance arrangements
- Increasing capital financing charges due to higher interest rates, although clearly the risk of this is reduced due to the policy of paying off debt as it matures

Accounting Changes

The accounts have been prepared in accordance with the requirements of the latest Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2017/18 (the Code).

The 2016/17 accounts have now been restated to include the Authorities 25% share of the results of North West FireControl Limited, following on from the 2016/17 Audit Findings Report, and 2017/18 has been updated to include the unaudited accounts.

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 <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 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 2018 and up to the date of approval of the 2017/18 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 seven 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 last year and can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/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 2018/19 was approved this year and can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Integrated-Risk-Management-Plan.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;
- A Corporate Programme Board provides 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 HMICFRS Inspection/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 covers the five year period 2017-2022.
- We updated our Strategic Assessment of Risk and completed an Emergency Cover Review.
- A revised Annual Service Plan has been agreed for 2018/19, 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. This is supported by Local Delivery Plans.

- 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.)?
- Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board. Joint Collaboration group established, reporting through to Members.
- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.
- A revised performance appraisal incorporating values was implemented and rolled out across the Service
- 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.
- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.
- As part of the 2017/18 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 2017/18"* 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 2016/17:
 - Financial statements – *"We gave an unqualified opinion on the Authority's financial statements"*
 - Value for money conclusion – *"We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year"*

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

Area for Improvement	Action to date	Completed/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	Information Management Strategy and a number of underpinning policies agreed. A road map of work to be undertaken has been produced based around 3 key themes which set the direction of travel for the Service. <ul style="list-style-type: none"> • Governance • Quality • Delivery Key projects agreed	Complete	Head of Service Development
Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations	Review of Committees Terms of Reference complete and agreed at CFA in April. Review of Contract Standing Orders and Financial Regulations complete and agreed at Audit Committee in March. Procedural Standing Orders reviewed but no changes identified. Review of Scheme of Delegation complete and due to be reported to Audit Committee in July	Complete	Clerk
Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary	A framework has been developed to review potential partnership arrangements utilising the following criteria: <ul style="list-style-type: none"> • 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)? Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board. Programme managers appointed within both LFRS and Constabulary. Collaboration group established and opportunities for review agreed. This will form part of on-going programme	Complete	Head of Service Delivery
Implement revised staff induction programme	The staff induction programme has been revised and updated. A learn pro induction module has been developed to support this process.	Complete	Head of Human Resources
Implement Leadership Conference	Three Leadership conferences delivered, Spring 2017, Autumn 2017 and Spring 2018. The focus of the Conference was the promotion of a strong culture and one where equality, diversity and Inclusion are valued. The feedback from the Conference was excellent with the majority of participants reflecting on LFRS core values and competencies and their own personal contribution to those values.	Complete	Head of Human Resources

Complete review of staff recognition	Review of staff recognition and development of staff sounding boards has been undertaken. This was placed on hold due to staff changes and pending recruitment of additional resources. The additional resource is now in place and an updated project plan is being developed	On-going, target date for completion December 2018	Head of Corporate Comms
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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:

- Complete review of Scheme of Delegation
- Complete review of staff recognition
- Create a new Intranet, incorporating social networking to connect staff across the service

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
29 May 2018

C Kenny,
Chief Fire Officer,
Lancashire Fire and Rescue
Service
29 May 2018

K Mattinson CPFA,
Treasurer, Lancashire
Combined Fire Authority
29 May 2018

**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 2018.

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
24 July 2018

Matthew Tomlinson
Chair of Audit Committee
24 July 2018

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

		2017/18			2016/17 As restated	
		Gross Expend iture £000	Gross Income £000	Net Expend iture £000	Gross Expend iture £000	Net Expend iture £000
	Continuing operations:					
1	Service Delivery	29,581	(2,173)	27,408	25,143	(2,103)
1	Strategy and Planning	8,084	(618)	7,466	7,021	(403)
1	People and Development	1,303	-	1,303	1,123	-
1	Corporate Services	4,224	(59)	4,165	3,219	(57)
1	Fire-fighters Pensions	1,138	-	1,138	1,232	(4)
1	Overheads	6,436	(1,790)	4,646	8,749	(1,796)
1	Net Cost of Services	50,766	(4,640)	46,126	46,487	(4,363)
	Loss on disposal of non current assets			(13)		-
	Financing & investment income & expenditure					
8	Interest payable and similar charges			1,576		1,674
15	Pensions interest cost and expected return on pensions assets			21,005		23,285
8	Interest receivable and similar Income			(267)		(305)
	Taxation and non-specific grant income					
	Taxation on NW FireControl			1		1
	Council tax			(28,233)		(27,800)
	Revenue Support Grant			(10,659)		(13,218)
	Non-domestic rates redistribution			(14,605)		(14,756)
	Capital grant income			-		-
	Business rates S31 grant			(511)		(447)
	Deficit/(Surplus) on the provision of services			14,421		10,557
	(Surplus)/Deficit on revaluation of non-current assets			(5,167)		(9,871)
18	Actuarial (gains)/losses on pensions assets and liabilities			(10,730)		114,941
	Other comprehensive income & expenditure			(15,896)		105,070
	Total Comprehensive Income and Expenditure			(1,476)		115,627

MOVEMENT IN RESERVES STATEMENT 2017/18

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 2017 carried forwards (as restated)	10,512	7,455	17,967	16,633	947	1,501	37,048	(724,164)	(687,116)
Movement in reserves during 2017/18									
Surplus/(Deficit) on provision of services	(14,421)	-	(14,421)	-	-	-	(14,421)	-	(14,421)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	15,896	15,896
Total comprehensive income and expenditure	(14,421)	-	(14,421)	-	-	-	(14,421)	15,896	1,476
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,264	-	4,264	-	-	-	4,264	(4,264)	-
Amortisation of intangible assets	122	-	122	-	-	-	122	(122)	-
Disposal of assets	(60)	-	(60)	-	-	81	21	(21)	-
Capital grants applied	321	-	321	-	(826)	-	(505)	-	-
Provision for the repayment of debt	(388)	-	(388)	-	-	-	(388)	388	-
Capital expenditure charged against General Fund Balance	(1,493)	-	(1,493)	-	-	-	(1,493)	1,493	-
Amount by which the Code and the statutory pension costs differ	13,251	-	13,251	-	-	-	13,251	(13,251)	-
Amount by which the Code and the statutory collection fund income differ	(39)	-	(39)	-	-	-	(39)	39	-
	15,979	-	15,979	-	(826)	81	15,234	(15,234)	-
Net increase/decrease before transfers to earmarked reserves	1,558	-	1,558	-	(826)	81	813	663	1,476
Transfers (to)/from earmarked reserves	(652)	428	(224)	-	-	-	(224)	224	-
Transfers (to)/from capital funding reserve	(3,528)	-	(3,528)	1,112	-	-	(2,416)	2,416	-
Transfers (to)/from accumulated absences adjustment account	9	-	9	-	-	-	9	(9)	-
Net tfr (to)/from earmarked reserves	(4,171)	428	(3,743)	1,112	-	-	(2,631)	2,631	-
Increase/(Decrease) in the year	(2,613)	428	(2,184)	1,112	(826)	81	(1,818)	3,293	1,476
Balance at 31 March 2018 carried forwards	7,899	7,884	15,783	17,745	121	1,582	35,230	(720,870)	(685,640)

MOVEMENT IN RESERVES STATEMENT 2016/17 – as restated

	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 as restated	10,246	9,518	19,764	10,284	3,171	1,501	34,718	(640,926)	(571,490)
Movement in reserves during 2016/17									
Surplus/(Deficit) on provision of services	(10,557)	-	(10,557)	-	-	-	(10,557)	-	(10,557)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(105,070)	(105,070)
Total comprehensive income and expenditure	(10,557)	-	(10,557)	-	-	-	(10,557)	(105,070)	(115,627)
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	250	-	250	-	(2,224)	-	(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	10,940	-	10,940	-	-	-	10,940	(10,940)	-
Amount by which the Code and the statutory collection fund income differ	(599)	-	(599)	-	-	-	(599)	599	-
Net increase/decrease before transfers to earmarked reserves	4,509	-	4,509	-	(2,224)	-	2,286	(117,912)	(115,627)
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	266	(2,063)	(1,797)	6,349	(2,224)	-	2,328	(117,955)	(115,627)
Balance at 31 March 2017 carried forwards	10,512	7,455	17,967	16,633	947	1,501	37,048	(724,164)	(687,116)

The 2016/17 statement including opening balances has been restated to include the Authority's 25% share of the balances of North West FireControl Limited.

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 2018 £000	At 31 March 2017 As restated £000
	Long Term Assets		
6	Property, Plant & Equipment	93,794	88,264
7	Intangible Assets	472	684
8	Long-Term Investments	5,000	5,000
		<u>99,266</u>	<u>93,948</u>
	Current Assets		
	Assets Held for Sale	-	21
	Inventories	228	206
8	Investments	-	5,000
9	Short Term Debtors	10,760	10,855
10	Cash & Cash Equivalents	28,768	29,347
		<u>39,757</u>	<u>45,430</u>
	Current Liabilities		
8	Short Term Borrowing	-	(333)
8	Other Short Term Liabilities	(329)	(335)
11	Short Term Creditors	(6,998)	(6,824)
		<u>(7,327)</u>	<u>(7,489)</u>
	Long Term Liabilities		
12	Provisions	(1,084)	(1,763)
8	Long Term Borrowing	(2,000)	(5,184)
13	Other Long Term Liabilities	(814,251)	(812,058)
		<u>(817,336)</u>	<u>(819,005)</u>
	Net Liabilities	<u>(685,640)</u>	<u>(687,116)</u>
16	Revenue Reserves	(15,784)	(17,968)
16	Capital Funding Reserve	(17,745)	(16,633)
16	Capital Grants Unapplied Account	(121)	(947)
16	Usable Capital Receipts Reserve	(1,582)	(1,501)
16	Usable Reserves:	<u>(35,231)</u>	<u>(37,048)</u>
18	Revaluation Reserve	(40,862)	(36,957)
18	Capital Adjustment Account	(38,641)	(36,762)
13,15&18	Pension Reserve	800,264	797,742
18	Collection Fund Adjustment Account	(704)	(664)
18	Accumulated Absences Adjustment Account	813	804
18	Unusable Reserves:	<u>720,871</u>	<u>724,164</u>
	Total Reserves	<u>685,640</u>	<u>687,116</u>

The 2016/17 accounts have been restated to include the Authority's 25% share in North West FireControl Limited.

These Financial Statements replace the unaudited financial statements authorised by the Treasurer on 31 May 2018.

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 2018 and its income and expenditure for the year then ended.

K Mattinson CPFA
Treasurer to the Combined Fire Authority
24 July 2018

Matthew Tomlinson
Chair of Audit Committee
24 July 2018

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	2017/18		2016/17 As restated*	
	£000	£000	£000	£000
		(14,421)		(10,557)
Net (deficit)/surplus on the provision of services				
23		17,569		14,725
Adjustments to net (deficit)/surplus on the provision of services for non-cash movements				
		1,455		1,493
Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities				
Net cash flows from Operating Activities		4,603		5,662
<u>Investing activities</u>				
6&7		(4,879)		(3,247)
Purchase of property plant and equipment & other capital spend				
		5,000		-
Decrease in short term deposits				
24		99		119
Receipts from investing activities				
Net cash flows from investing activities		221		(3,128)
<u>Financing activities</u>				
		(335)		(308)
		(3,514)		(250)
24		(1,553)		(1,612)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts				
Repayment of long term borrowing				
Payments for financing activities				
Net cash flows from financing activities		(5,402)		(2,170)
Net increase/(decrease) in cash and cash equivalents		(578)		363
10		29,347		28,984
Cash and cash equivalents at the beginning of the reporting period				
10		28,769		29,347
Cash and cash equivalents at the end of the reporting period				

* The 2016/17 balances have been restated to include the Authority's 25% share of North West FireControl Limited.

NOTES TO THE CORE FINANCIAL STATEMENTS

1 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.

2017/18	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 1a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	35,236	-	35,236	(7,828)	27,408
Strategy and Planning	8,382	-	8,382	(916)	7,466
People and Development	1,166	-	1,166	137	1,303
Corporate Services	4,111	-	4,111	55	4,165
Firefighters Pensions	1,138	-	1,138	-	1,138
Overheads	3,942	(17)	3,925	720	4,646
Net cost of Services	53,975	(17)	53,958	(7,832)	46,126
Other income and expenditure	(53,968)	-	(53,968)	22,263	(31,706)
Surplus on provision of services	7	(17)	(10)	14,430	14,420
Opening General Fund balance			(10,512)		
Less transfers to capital/earmarked reserves			2,628		
Surplus on provision of services			(10)		
NWFC recognise 25% surplus on provision of services			(5)		
Closing General Fund balance			<u>(7,899)</u>		

Lancashire Combined Fire Authority
Statement of Accounts 2017/18

2016/17 – restated *	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 1a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	34,130	-	34,130	(11,089)	23,040
Strategy and Planning	7,950	-	7,950	(1,332)	6,618
People and Development	1,112	-	1,112	11	1,123
Corporate Services	3,376	-	3,376	(215)	3,162
Firefighters Pensions	1,228	-	1,228	-	1,228
Overheads	7,760	(193)	7,568	(615)	6,953
Net cost of Services	55,557	(193)	55,364	(13,240)	42,124
Other income and expenditure	(55,623)	-	(55,623)	24,056	(31,567)
Surplus on provision of services	(67)	(193)	(260)	10,816	10,556
Opening General Fund balance*			(10,246)		
Surplus on provision of services			(260)		
NWFC recognise 25% surplus on provision of services			(6)		
Closing General Fund balance			<u>(10,512)</u>		

* The 2016/17 balances have been restated to recognise the Authority's 25% share in North West FireControl Limited.

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1a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18	Transfer to/(from) Earmarked Reserves £000	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	Total adjustment between funding and accounting basis £000
Service Delivery	-	-	(16)	(7,869)	57	(7,828)
Strategy and Planning	-	-	(41)	(750)	(125)	(916)
People and Development	-	-	-	137	-	137
Corporate Services	-	-	-	55	-	55
Firefighters Pensions	-	-	-	-	-	-
Overheads	(17)	(17)	1,597	582	(1,459)	720
Net cost of Services	(17)	(17)	1,540	(7,845)	(1,527)	(7,832)

Lancashire Combined Fire Authority
Statement of Accounts 2017/18

Other income and expenditure	-	-	(13)	21,005	1,270	22,263
Total	(17)	(17)	1,527	13,160	(257)	14,430

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17	Transfer to/(from) Earmarked Reserves £000	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (note 3) £000	Total adjustment between funding and accounting basis £000
Service Delivery	-	-	-	(11,368)	279	(11,089)
Strategy and Planning	-	-	-	(1,309)	(24)	(1,332)
People and Development	-	-	-	11	-	11
Corporate Services	-	-	-	(215)	-	(215)
Firefighters Pensions	-	-	-	-	-	-
Overheads	(193)	(193)	222	514	(1,350)	(615)
Net cost of Services	(193)	(193)	222	(12,367)	(1,095)	(13,240)
Other income and expenditure	-	-	-	23,285	771	24,056
Total	(193)	(193)	222	10,918	(324)	10,816

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.

2 Fire Authority Costs

In 2017/18 Fire Authority costs amounted to £0.268m (2016/17: £0.260m), analysed as follows:

	2017/18	2016/17
	£000	£000
Members allowances/expenses	123	126
Statutory officers	98	95
Statutory reports/publications	1	1
Subscriptions	11	13
Others	35	25
	<u>268</u>	<u>260</u>

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,089 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2017/18	2016/17
	No.	No.
£70,000 - £74,999	2	1
£65,000 - £69,999	4	2
£60,000 - £64,999	6	6
£55,000 - £59,999	10	6
£50,000 - £54,999	19	31
	<u>41</u>	<u>46</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.

Post holder information (post title and name)	Salary	Allowances (estimated based on 2016/17 figures)	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
2017/18					
Chief Fire Officer – Chris Kenny	157,261	2,543	159,804	34,126	193,930
Director of Service Delivery – Justin Johnston	133,672	2,571	136,243	19,115	155,359
Director of Strategy & Planning – David Russel	125,809	3,723	129,532	17,991	147,523
Director of People & Development – Robert Warren	100,647	-	100,647	12,883	113,530
Director of Corporate Services – Keith Mattinson	100,647	-	100,647	12,883	113,530
	618,036	8,838	626,874	96,997	723,871

Post holder information (post title and name)	Salary	Allowances Restated*	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
2016/17					
Chief Fire Officer – Chris Kenny	155,704	2,459	158,163	33,788	191,951
Director of Service Delivery – Justin Johnston	132,349	2,670	135,019	18,926	153,945
Director of Strategy & Planning – David Russel	124,563	3,710	128,273	17,813	146,086
Director of People & Development – Robert Warren	99,651	-	99,651	12,755	112,406
Director of Corporate Services – Keith Mattinson	99,651	-	99,651	12,755	112,406
	611,917	8,838	620,757	96,037	716,794

* The 2016/17 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2016/17 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)	2017/18		2016/17	
	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
£20,001 - £40,000	1	38	-	-
£40,001 - £60,000	-	-	-	-
	<u>1</u>	<u>38</u>	<u>1</u>	<u>7</u>

4 External Auditors Fees

In 2017/18, the Fire Authority paid a total of £0.031m to its external auditors, Grant Thornton (2016/17: £0.031m), as follows:

	2017/18 £000	2016/17 £000
Audit fees – Grant Thornton	31	31

5 Related Parties Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority. Consideration must be given to materiality from both the viewpoint of the Authority and the related party.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills).

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in note 2. As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

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

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

- roles with voluntary organisations;

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

Officers

In 2017/18 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 (£0.393m received from the precepting authority, 2016/17: £0.468m), and council tax (£2.221m received from the precepting authority, 2016/17 £2.184m), the administration of these is strictly defined by a statutory framework.

6 Property, Plant & Equipment

Details on policies can be seen in note 28, 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 2017/18 are:

Movement during the year	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Assets under construction £000	Total Property, Plant & Equipment £000
Cost or valuation					
At 1 April 2017 – as restated	53,256	25,610	21,445	-	100,310
Additions	375	-	2,767	1,498	4,639
Disposals	-	-	(889)	-	(889)
Impairment losses recognised in the Revaluation Reserve	(2,462)	-	-	-	(2,462)
Impairment losses recognised in the Deficit on the Provision of Services	(372)	-	(327)	-	(699)
Reclassifications	(3,200)	-	-	3,200	-
Revaluations	2,523	3,010	-	-	5,533
As at 31 March 2018	50,120	28,620	22,995	4,698	106,433
Depreciation and impairments					
At 1 April 2017 – as restated	(149)	-	(11,897)	-	(12,046)
Depreciation charge for 2017/18	(1,384)	(563)	(1,631)	-	(3,578)
Disposals	-	-	889	-	889
Revaluations	1,533	563	-	-	2,096
As at 31 March 2018	-	-	(12,639)	-	(12,639)
Balance sheet at 31 March 2018	50,120	28,620	10,356	4,698	93,794
Balance sheet at 31 March 2017 – as restated	53,107	25,610	9,548	-	88,264
Nature of asset holding					
Owned	49,850	-	10,308	4,698	64,856
Finance lease	270	-	48	-	318
PFI	-	28,620	-	-	28,620
	50,120	28,620	10,356	4,698	93,794

Movement in the property, plant and equipment valuations are detailed in the following tables:

Carried at historical cost	-	-	10,294	4,698	14,992
Valued at current value as at:					
31 March 2018	50,120	28,620	-	-	78,740
31 March 2010	-	-	62	-	62
Total cost or valuation	50,120	28,620	10,356	4,698	93,794

On 31 March 2018 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 £7.629m (2016/17: net gain of £8.398m).

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The comparative figures detailing the movement during 2016/17 (Restated to include the Authority's 25% share in North West FireControl Limited):

Movement during the year	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or valuation					
At 1 April 2016 – as restated	50,036	23,143	22,381	20	95,580
Additions	2,574	-	893	-	3,468
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	21,445	-	100,310
Depreciation and impairments					
At 1 April 2016 – as restated	(2,002)	(535)	(11,874)	-	(14,410)
Depreciation charge for 2016/17	(2,720)	(414)	(1,615)	-	(4,749)
Disposals	-	-	1,592	-	1,592
Revaluations	4,573	949	-	-	5,522
As at 31 March 2017	(149)	-	(11,897)	-	(12,046)
Balance sheet at 31 March 2017 – as restated	53,107	25,610	9,548	-	88,264
Balance sheet at 31 March 2016 – as restated	48,034	22,608	10,508	20	81,170
Nature of asset holding					
Owned	52,727	-	9,500	-	62,226
Finance lease	380	-	48	-	428
PFI	-	25,610	-	-	25,610
	53,107	25,610	9,548	-	88,264

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 2017/18 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.

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	14,906	15,237

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Capital investment:

Property, Plant & Equipment	4,638	3,445
Intangible assets	-	63

Sources of Finance:

Government Grant	(505)	(1,974)
Capital Reserves	(2,416)	-
Earmarked Reserves	(224)	-
Revenue contributions to capital	(1,493)	(1,534)
MRP	(388)	(331)

Closing Capital Financing Requirement	<u>14,518</u>	<u>14,906</u>
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Explanation of movements in year

(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(388)	(331)
	<u>(388)</u>	<u>(331)</u>

Details of Assets Held

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

	2017/18	2016/17
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 2018 is £0.545m (2016/17: £3.959m).

7 Intangible Assets

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

Movement during	2017/18	2016/17
	£000	As restated £000
Cost or valuation		
At 1 April	2,131	2,044
Additions	10	87
Disposals	(54)	-
As at 31 March	2,087	2,131
Amortisation & impairment		
At 1 April	(1,447)	(1,217)
Amortisation charge for the year	(222)	(230)
Disposals	54	-
As at 31 March	(1,615)	(1,447)
Balance sheet at 31 March 2018	472	684
Balance sheet at 31 March 2017	684	827

The 2016/17 note has been restated to include the Authority's 25% share in North West FireControl Limited

8 Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
<u>Investments</u>				
Loans and receivables	5,000	5,000	-	5,000
<u>Debtors</u>				
Financial assets carried at contract amounts	-	-	59	51
<u>Borrowings</u>				
PWLB Borrowings at amortised cost	2,023	5,243	-	333
<u>Other Long Term Liabilities</u>				
PFI and finance lease liabilities	13,987	14,316	329	335
<u>Creditors</u>				
Financial liabilities carried at amortised cost	-	-	2,869	2,639

Income, Expense, Gains and Losses

	Financial assets: Loans and receivables			
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Interest expense	1,576	1,674	-	-
Total expense in Deficit on the Provision of Services	1,576	1,674	-	-
Interest income	-	-	(266)	(304)
Total income in Deficit on the Provision of Services	-	-	(266)	(304)
Net gain/(loss) for the year	1,576	1,674	(266)	(304)

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 2018 of 4.48% to 4.49% 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 2018		31 March 2017	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	£000	£000	£000	£000
Loans from the Public Works Loan Board	2,023	2,663	5,577	7,301
Cash deposits invested and classed as loans and receivables	-	-	-	-
PFI Liabilities	14,231	16,277	14,519	15,483

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Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2018 is £2.000 million (2016/17: £5.514m) and it is due for repayment as shown in the following table:

	2017/18	2016/17
	£000	£000
Within one year	-	330
Within two to five years	-	1,184
Within six to ten years	-	2,000
Over 10 years	2,000	2,000
	<u>2,000</u>	<u>5,514</u>

9 Debtors

	2017/18	2016/17
	£000	£000
Central government bodies	223	202
Other local authorities	3,665	3,918
Public corporations	183	241
Other entities and individuals	6,689	6,494
	<u>10,760</u>	<u>10,855</u>

10 Cash & Cash Equivalents

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

	2017/18	2016/17
	£000	£000
Cash held by the Authority	49	46
Cash held by North West FireControl (25% share)	164	286
Call account balance	28,555	29,015
	<u>28,768</u>	<u>29,347</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 2018 equal to their nominal value.

11 Creditors

	2017/18	2016/17
	£000	£000
Central government bodies	1,068	1,066
Other local authorities	2,108	2,571
Other entities and individuals	3,822	3,187
	<u>6,998</u>	<u>6,824</u>

12 Provisions

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

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

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

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

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

	Insurance Liabilities		Part time workers		Business rates appeals		Total	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance at 1 April	1,129	1,147	21	22	613	960	1,763	2,129
Amounts utilised	(6)	(20)	-	(1)	-	-	(6)	(21)
Unused amounts reversed	(799)	(347)	-	-	-	(347)	(799)	(694)
Additional provision	110	349	1	-	15	-	125	349
Balance at 31 March	434	1,129	22	21	628	613	1,084	1,763

13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2017/18 £000	2016/17 £000
Finance Lease Liability	-	10
PFI Liability (see note 14)	13,917	14,231
PFI Contractor Loan (see note 14)	70	75
Pension Liability (see note 15)	800,264	797,742
	<u>814,251</u>	<u>812,058</u>

14 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 2018 the outstanding loan was £0.075m (2016/17: £0.080m).

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 6.

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

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Payments remaining to be made under both PFI contracts, and Government Subsidies to be received at 31 March 2018 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	676	314	1,379	2,369	1,734
Payable within 2-5 years	2,893	1,566	5,290	9,749	6,935
Payable within 6-10 years	4,091	2,893	5,857	12,841	8,668
Payable within 11-15 years	4,693	4,620	4,130	13,443	8,648
Payable within 16-20 years	3,380	4,580	1,916	9,876	6,246
Payable within 21-25 years	262	258	12	532	365
Total	15,995	14,231	18,586	48,810	32,596

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:

	2017/18 £000	2016/17 £000
Balance outstanding at the start of the year	14,519	14,782
Payments during the year	(288)	(263)
Balance outstanding at year end	14,231	14,519

15 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	
	2017/18	2016/17 Restated*	2017/18	2016/17
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	1,774	1,057	10,690	8,450
• Administrative expenses	24	22	-	-
• Past service cost	-	-	510	450
	1,798	1,079	11,200	8,900
Financing and Investment Income and Expenditure:				
• Interest cost	1,570	1,828	20,790	23,100
• Interest on scheme assets	(1,354)	(1,643)	-	-
	216	185	20,790	23,100
Total post employment benefit charged to the deficit on provision of services	2,014	1,264	31,990	32,000
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	(3,200)	3,011	(7,530)	111,930
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(1,186)	4,275	24,460	143,930
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	1,958	(3,381)	(4,480)	(122,500)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(772)	(894)	-	-
Retirement benefits payable to pensioners	-	-	(19,980)	(21,430)
	-	-	-	-

* The LGPS scheme includes the Authority's 25% share in North West FireControl Limited

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 £15.195m (2016/17: £15.827m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 62.

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 2018	31 March 2017 Restated	31 March 2018	31 March 2017
	£000	£000	£000	£000
Opening balance at 1 April	(70,99)	(56,415)	(788,856)	(666,356)
Current service cost	(2,351)	(1,373)	(10,649)	(8,450)
Interest on liabilities	(1,797)	(2,028)	(20,789)	(23,100)
Contributions by scheme participants	(478)	(416)	(2,964)	(2,880)
Remeasurements (liabilities):				
Experience (gain)/loss	-	3,534	9,258	22,650
Gain/(Loss) on financial assumptions	2,863	(15,562)	(21,922)	(144,600)
Gain/(Loss) on demographic assumptions	-	229	20,190	10,020
Benefits/transfers paid	1,191	1,032	22,904	24,310
Past service cost	-	-	(508)	(450)
Closing balance at 31 March	(71,571)	(70,999)	(793,336)	(788,856)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2018	31 March 2017 Restated	31 March 2018	31 March 2017
	£000	£000	£000	£000
Opening balance at 1 April	59,792	50,114	-	-
Interest on scheme assets	1,515	1,813	-	-
Remeasurements (assets)	641	7,360	-	-
Administrative expenses	(24)	(22)	-	-
Employer contributions	1,075	1,143	19,940	21,430
Contributions by scheme participants	478	416	2,964	2,880
Benefits paid	(1,191)	(1,032)	(22,904)	(24,310)
Closing balance at 31 March	62,286	59,792	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £1.869m (2016/17: gain of £8.558m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2018 is a gain of £0.267m (2016/17: cumulative gain of £0.278m).

Scheme history

	2017/18	2016/17 Restated	2015/16	2014/15	2013/14
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(71,571)	(70,999)	(49,267)	(50,503)	(41,224)
Firefighters Pension Scheme	(793,336)	(788,856)	(666,356)	(687,420)	(595,539)
Fair value of assets in LGPS	62,286	59,792	44,027	39,099	33,135
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(9,285)	(11,207)	(5,240)	(11,404)	(8,089)
Firefighters Pension Scheme	(793,336)	(788,856)	(666,356)	(687,420)	(595,539)
Total	(802,621)	(800,063)	(671,596)	(698,824)	(603,628)

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, £802.621m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £685.640m (2016/17 Restated: £687.116m). 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 £6m 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	1,101	3,843	4,540

*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:

	NWFC Local Government Pension Scheme		LCFA Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	22.3	22.3	22.7	22.6	21.9	22.4
Women	24.5	24.5	25.4	25.2	21.9	22.4
Longevity at 65 for future pensioners:						
Men	23.9	23.9	25.0	24.9	23.9	24.7
Women	26.5	26.5	28.0	27.9	23.9	24.7
Rate of CPI inflation	2.40%	2.40%	2.10%	2.30%	2.30%	2.35%
Rate of increase in salaries	2.60%	2.70%	3.60%	3.80%	4.30%	4.35%
Rate of increase in pensions	2.30%	2.40%	2.20%	2.30%	2.30%	2.35%
Rate for discounting scheme liabilities	2.70%	2.70%	2.6%	2.5%	2.55%	2.65%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	50%

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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 2018		Assets at 31 March 2017 Restated	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	3,567	5.7	4,225	7.1
Bonds	Y	6,189	9.9	4,652	7.8
Property	N	5,739	9.2	5,129	8.6
Cash/Liquidity	N	115	0.2	695	1.2
Other	N	46,676	75.0	45,092	75.3
		<u>53,793</u>	<u>100.0</u>	<u>52,111</u>	<u>100.0</u>

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018:

Local Government Pensions Scheme (LGPS) inc NWFC:	2017/18	2016/17 Restated *	2015/16	2014/15	2013/14
	%	%	%	%	%
Experience Gains and losses on assets	1.0	12.3	1.3	6.9	(2.0)
Gains and losses on liabilities	4.0	16.6	(6.2)	14.9	(18.5)
Firefighters Pension Scheme:	2017/18	2016/17	2015/16	2014/15	2013/14
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(0.9)	14.4	(4.8)	11.0	(3.3)
Total of LGPS and Fire Pension Schemes:	2017/18	2016/17	2015/16	2014/15	2013/14
	%	%	%	%	%
Experience Gains and losses on assets	1.0	12.3	1.3	6.9	(2.0)
Gains and losses on liabilities	(0.5)	14.6	(4.9)	11.2	(4.2)

The 2016/17 note has been restated to include the balances of the North West FireControl LGPS.

16 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statements, on pages 20 and 21.

	2017/18		2016/17 Restated	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(7,899)		(10,512)
Earmarked Reserves	(3,556)		(3,919)	
PFI Equalisation Reserve	<u>(4,327)</u>		<u>(3,537)</u>	
Total Earmarked Reserves		(7,883)		(7,456)
Total Revenue Reserves		<u>(15,784)</u>		<u>(17,967)</u>
Capital Reserves:				
Capital Funding Reserve		(17,745)		(16,633)
Capital Grants Unapplied		(121)		(947)
Usable Capital Receipts		(1,582)		(1,501)
Total Usable Reserves		<u>(35,231)</u>		<u>(37,048)</u>

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.16 Restated	Transfers in 2016/17 Restated	Transfers out 2016/17 Restated	Balance at 31.3.17 Restated	Transfers in 2017/18	Transfers out 2017/18	Balance at 31.3.18
General fund	(10,246)	(266)	-	(10,512)	(16)	2,629	(7,899)
Earmarked Reserves	(6,078)	(249)	2,408	(3,919)	(1,054)	1,417	(3,556)
PFI Equalisation Reserves	<u>(3,440)</u>	<u>(125)</u>	<u>28</u>	<u>(3,537)</u>	<u>(1,061)</u>	<u>271</u>	<u>(4,327)</u>
Total Earmarked Reserves	(9,518)	(374)	2,436	(7,456)	(2,115)	1,688	(7,884)
Capital funding reserve	(10,284)	(6,349)	-	(16,633)	(3,528)	2,416	(17,745)
Capital grants unapplied	(3,171)	-	2,224	(947)	-	826	(121)
Usable capital receipts	(1,501)	-	-	(1,501)	(81)	-	(1,582)
Total Usable Reserves	<u>(34,719)</u>	<u>(6,989)</u>	<u>4,659</u>	<u>(37,048)</u>	<u>(5,740)</u>	<u>7,558</u>	<u>(35,231)</u>

18 Unusable Reserves

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

	2017/18 £000	2016/17 £000
Revaluation Reserve	(40,862)	(36,957)
Capital Adjustment Account	(38,641)	(36,762)
Pensions Reserve	800,264	797,742
Collection Fund Adjustment Account	(704)	(664)
Accumulated Absences Adjustment Account	813	804
Total Unusable Reserves	720,871	724,164

Revaluation Reserve

	2017/18 £000	2016/17 £000
Balance at 1 April	(36,957)	(28,480)
Upward revaluation of assets	(7,629)	(12,047)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	2,462	2,175
Difference between fair value depreciation and historical cost depreciation	1,215	1,395
Amount written off to the Capital Adjustment Account	47	-
	(40,862)	(36,957)

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.

	2017/18		2016/17	
	£000	£000	£000	£000
Balance at 1 April		(36,762)		(37,868)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	2,351		3,337	
• Revaluation losses on Property, Plant & Equipment	699		1,477	
• Amortisation of intangible assets	122		132	
		3,172		4,945
Disposal of assets via the Comprehensive Income & Expenditure Statement		21		-
Adjusting amounts written out of the Revaluation Reserve		(47)		-
Net amount written out of the cost of non-current assets consumed in the year		3,146		4,945
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	(505)		(1,974)	
• Statutory provision for financing of capital investment charged against General Fund	(340)		(303)	
• Voluntary provision for financing of capital investment charged against General Fund	(48)		(28)	
• Use of capital reserves to fund expenditure	(2,416)		-	
• Use of earmarked reserves to fund expenditure	(224)		-	
• Capital expenditure charged to General Fund Balance	(1,493)		(1,534)	
		(5,026)		(3,839)
Balance as at 31 March		<u>(38,641)</u>		<u>(36,762)</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.

	2017/18	2016/17 Restated
	£000	£000
Balance at 1 April	797,742	671,861
Actuarial (gains) or losses on pensions assets and liabilities	(10,729)	114,941
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	21,579	23,797
Employers pension contributions and direct payments to pensioners payable in the year	(8,328)	(12,857)
	<u>800,264</u>	<u>797,742</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	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance at 1 April	(734)	(792)	70	727	(664)	(65)
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	133	58	-	-	133	58
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	-	-	(173)	(657)	(173)	(657)
Balance at 31 March	<u>(601)</u>	<u>(734)</u>	<u>(103)</u>	<u>70</u>	<u>(704)</u>	<u>(664)</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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	804	761
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	43
Balance at 31 March	<u>813</u>	<u>804</u>

19 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. The service is attempting to resolve this issue via the collective bargaining arrangements, but this has not yet been concluded.

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 partly upheld at the Employment Appeal Tribunal, but this determination has been appealed by both parties. There is presently no indication of the final determination. The Firefighters Pension Scheme would meet any additional costs, rather than them being an additional cost to the Authority.

20 Post Balance Sheet Events

As at the date the Treasurer signed the accounts, 31 May 2018, there were no post balance sheet events to report.

21 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

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

Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.004m of the £0.062m 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 £0.003m and which is considered sufficient for this purpose.

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

	2017/18 £000	2016/17 £000
0 to 30 days	58	40
31 to 60 days	2	4
61 to 90 days	1	2
91 to 180 days	-	13
Over 180 days	1	10
	<hr/> <hr/>	<hr/> <hr/>
	62	69

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. During 2017/18 £3.2m of debt was repaid, leaving a balance of £2m.

The maturity profile of our remaining debt is shown in the table below.

Value of PWLB loans maturing in future years	
As at 31 March 2018	
Year	Loan value £000
2036	650
2037	650
2038	700
Total	2,000

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 £34.2 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 £342,000 and a 1% fall would give a reduction of the same amount.

22 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.

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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 2017/18 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.

- Previously the NWFC accounts had not been recognised within the Authority's financial statements, however following on from the 2016/17 Audit Findings Report, we have now restated the 2016/17 accounts for these, and also included within the 2017/18 accounts since the draft accounts were presented in May. This change has inevitably changed almost every single note to the accounts, in addition to the four core statements.

Below shows the key Information from the Draft Financial Statements of NW FireControl Limited:

Key Information	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Total assets less Current Liabilities	285	263
Net assets*	(2,859)	(2,831)
(Loss) Before Taxation	(427)	(99)
(Loss) After Taxation	(432)	(105)
Debtor Balance (LFRS)	296	287
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,144	1,093
Invoices raised by LFRS to NW FireControl	-	-

*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 2018/19 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.

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2018 for the final audited 2017/18 accounts.

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

	2017/18	2016/17
	£000	£000
Depreciation	3,578	4,749
Impairment & downwards valuations	699	1,477
Amortisation	222	227
Increase/(decrease) in provisions	(679)	(366)
Increase/(decrease) in creditors	403	168
(Increase)/decrease in debtors	95	(2,462)
(Increase)/decrease in stock	(21)	(9)
Movement in pension liability	13,251	10,940
Net book value of fixed assets sold	21	-
	17,569	14,725

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

	2017/18	2016/17
	£000	£000
Interest received	99	119
Interest paid	(1,553)	(1,612)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy note 28, section j)

25 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 2018 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 £0.2m for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using the Discounted Cash Flow (DCF) model.	The Authority uses the DCF model to measure the fair value of its PFI liabilities. Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.7m.
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"> • Discount rate – decrease of £16.3m • Inflation rate – increase of £13.4m • Pay growth – increase of £1.7m A 1 year increase in life expectancy will increase the net pension liability by £5.3m.

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

26 Accounting Standards issued but not yet adopted

For 2017/18 the following accounting policy changes that need to be reported relate to:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

These standards will be incorporated into the Statement of Accounts as required by the Code, but are not expected to have a material impact.

27 Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

	2017/18 £000	2016/17 £000
Expenditure		
Employee benefits expenses	33,678	28,459
Other services expenses	12,584	11,575
Support service recharges	8	1
Depreciation, amortisation and impairment	4,499	6,453
Interest payments	22,581	24,959
Gain on disposal of fixed assets	(13)	-
Total expenditure	73,337	71,448
Income		
Fees, charges and other service income	(4,640)	(4,363)
Interest and investment income	(267)	(305)
Income from council tax and business rates	(42,838)	(42,557)
Government grants and contributions	(11,170)	(13,666)
Total Income	(58,916)	(60,891)
Deficit on the provision of services	14,421	10,557

28 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 – 2017/18, 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 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.

e 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 2017/18, 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 2017/18, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2017/18, the actuaries used fair value basis for both derivatives and investments.

f 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.

g 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.

h 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.

i 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 2018, 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.

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 derecognise 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.

j 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 14.

Accounting for PFI

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

Recognition of assets and liabilities

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

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

Minimum Revenue Provision (MRP)

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

Unitary Payment

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

Deductions from the Unitary Payment

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

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

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

k 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.

l 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.

m 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.

n 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.

O Going Concern

These accounts are prepared on a going concern basis, on the assumption that the Authority's functions will continue in operational existence for the foreseeable future. Please see the future financial plans section in the foreword for more detail.

FIRE FIGHTERS PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

Fund Account	2017/18 Total £000	2016/17 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(3,692)	(3,790)
- other contributions	(179)	(247)
- Members contributions	(2,923)	(2,946)
Transfers in:		
- Individual transfers from other schemes	(52)	(44)
Total Income to the Fund	(6,846)	(7,027)
Spending by the fund		
Benefits payable:		
- Pension payments	18,446	17,915
- Commutations of pensions and lump-sum retirement benefits	3,593	4,937
Transfers out:		
- Individual transfers out to other schemes	-	-
- Refunds of contributions	2	447
Total Spending by the fund	22,041	23,299
Net amount receivable for the year before top up grant receivable from central government	15,195	16,272
Top up grant receivable from central government	(15,195)	(16,272)
Net amount receivable for the year	-	-
Net Assets Statement	2017/18 £000	2016/17 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(4,275)	(4,321)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	4,275	4,321
Net current assets at the end of the year	-	-

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 2018 the Authority is owed £4,275m (2016/17: £4.321m) 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 15 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

The note has been prepared in line with general accounting policies set in Note 28 – accounting policies, in particular section e.

Contribution Rates

Under the firefighters pension regulations the contribution rates during 2017/18 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 10.5% 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. Two ill health retirements were recognised during 2017/18, and three in 2016/17.

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 15.

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.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 24 July 2018

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

Contact for further information:

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

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, are required to obtain an assurance as to how those charged with governance gain assurance over management processes and arrangements. The letter requesting this is attached as appendix 1.

A response has been prepared and submitted by the Chair of the Audit Committee, and is attached as appendix 2. (It is worth noting that Management have had to submit a similar response in connection with the processes in place to prevent and detect fraud and ensure compliance with law and regulations, as well as views on key areas affecting the financial statements.)

Decision Required

The Committee is asked to note and endorse the response submitted.

Information

As stated in the Executive Summary.

Financial Implications

None

Business Risk Implications

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

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

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



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15 May 2018

Dear Cllr Tomlinson

Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2018

Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Committee gains assurance over management's processes and arrangements.

I would be grateful, therefore, if you could respond to the questions on the attached schedule.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to Keith Mattinson. We suggested that it may be useful to co-ordinate your response with that of management.

If you are in agreement with this I would be grateful for your formal response by 24 July 2018, thus ensuring it covers the full twelve month period for 2017/18.

Please feel free to contact me if you wish to discuss anything in relation to this request.

Yours sincerely



Robin Baker
Director
For Grant Thornton UK LLP

Response from Audit Committee Chair of Lancashire Combined Fire Authority

Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Authority have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Authority / Audit Committee?	

Auditor Question	Response
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2017?	

Law and regulation

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?	

Auditor Question	Response
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	

Going Concern

Auditor Question	Response
How will the Authority / Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the 2017/18 financial statements?	

Response from Audit Committee Chair of Lancashire Combined Fire Authority
Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	Yes
What are the results of this process?	No material risk identified as there is a reconciliation between the management accounts reported to Resources Committee and the financial accounts presented here
What processes does the Authority have in place to identify and respond to risks of fraud?	Participation in the NFI (and have not identified any frauds as a result of this), whistle blowing and anti-fraud policies
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No
Are internal controls, including segregation of duties, in place and operating effectively?	Yes Review by Internal and External Audit Reported in Annual Governance Statement
If not, where are the risk areas and what mitigating actions have been taken?	N/A
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No
Are there any areas where there is a potential for misreporting?	No
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	Updated corporate risk register is presented at each Audit Committee, update report relating to NFI is reported to the Committee
What arrangements are in place to report fraud issues and risks to the Authority / Audit Committee?	Updated corporate risk register is presented at each Audit Committee, update report relating to NFI is reported to the Committee

Auditor Question	Response
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	Agreed set of values includes trust and Integrity. Employee code of conduct. Code of Corporate Governance. Contractor terms and conditions
How do you encourage staff to report their concerns about fraud?	Agreed whistle blowing and anti-fraud policies
Have any significant issues been reported?	No

Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No, only significant related party relates to Treasurer whose wife is Treasurer at Blackburn with Darwen Council. Only significant transactions between Blackburn with Darwen and the Fire Authority relate to precept income and business rates, both of which are defined by a statutory framework
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2017?	No

Law and regulation

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	All Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	As above
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?	No

Auditor Question	Response
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	Year-end process to identify contingent liabilities/outstanding litigation and claims On-going DFM monitoring arrangements Discussion with Clerk/Solicitor
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going Concern

Auditor Question	Response
How will the Authority / Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the 2017/18 financial statements?	Review of budget reports, financial reports throughout the year. Including ability to set a balanced budget, level of reserves, robustness of budget and MTFS

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 24 July 2018

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:		

Mr Robin Baker
Director
Grant Thornton UK LLP
Royal Liver Building
LIVERPOOL
L3 1PS

Please ask for: Keith Mattinson
Telephone: 01772 866804
Email: keithmattinson@lancsfire.org.uk
Your Ref:
Our Ref: KM/JLW
Date: 24 July 2018

Dear Sir

**LANCASHIRE FIRE COMBINED AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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 2018 for the purpose of expressing an opinion as to whether the Authority's financial statements are presented fairly in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- 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 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.
- vii 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.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii 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

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority 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.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii 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.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - 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.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx 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.
- xxi We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxii 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

- xxiii 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

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

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 24 July 2018.

Keith Mattinson

Director of Corporate Resources

24 July 2018

Councillor Matthew Tomlinson

Chair of the Audit Committee

24 July 2018

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 24 July 2018

EXTERNAL AUDIT – AUDIT FINDINGS REPORT (Appendix 1 refers)

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 2018 is attached which does not identify any significant issues.

Recommendation

The Committee is asked to:-

- Note and endorse the matters raised in the report and the response to these
- 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 auditors Grant Thornton are 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 delivers value for money in its use of resources

The auditors have identified one adjusted mis-statement, relating to the treatment of our share of North West Fire Control, as set out on page 13-15 of the Audit Findings Report. This issue was highlighted last year however following discussions we

initially felt that this was not material and hence was not fully accounted for, however following further discussion we agreed to amend the accounts to reflect this.

The auditors have also identified four adjustments which are required in terms of misclassifications and disclosure changes as set out on page 16 of the Audit Finding Report, and these changes have been incorporated into the final statement of accounts.

It is worth noting that the auditor report highlights “The financial statements were prepared on time and to a good standard and we received good co-operation in completing our audit.”

Audit Action Plan

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

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:		

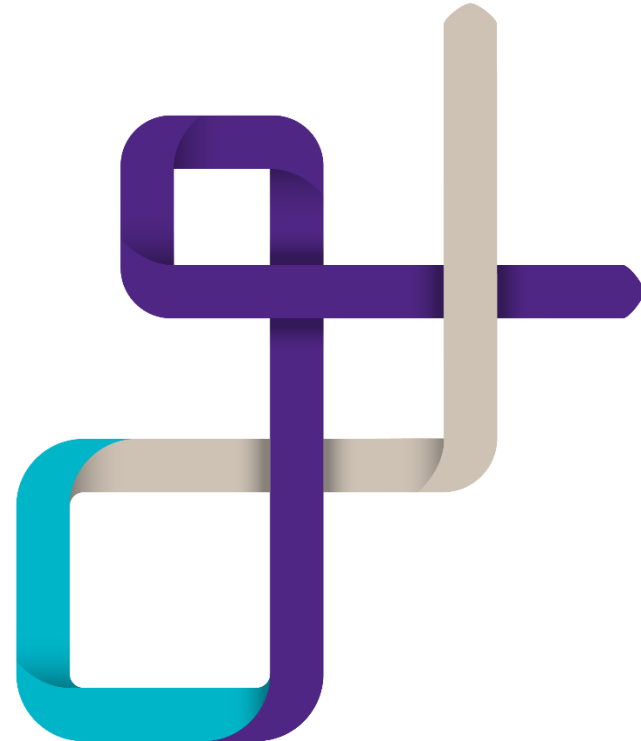
Audit Findings

Year ending 31 March 2018

Lancashire Fire & Rescue Authority

16 July 2018

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Contents



Your key Grant Thornton
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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Lancashire Fire & Rescue Authority ('the Authority') financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">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 17-18, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements	<p>Our audit work was completed on site during June. We have identified one adjustment to the financial statements that has resulted in an increase in deficit in the provision of services by £0.429m and decrease in Total Comprehensive Income and Expenditure by £0.328m in the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>The financial statements were prepared on time and to a good standard and we received good co-operation in completing our audit. Subject to resolving the small number of remaining issues we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018. The outstanding items include:</p> <ul style="list-style-type: none">- receipt of management representation letter; and- review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Lancashire Fire and Rescue Authority continues to have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 10 and 11.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other officers during our audit. We note the significant stress put on the Authority's resources during the recent Moorland fires in the North West.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and risk based, and in particular included:

- an evaluation of the Authority's internal controls environment including its IT systems and controls;
- testing of the payroll, pensions and AP systems; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to clearing the small number remaining issues, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We reported Materiality level of £919k in our Audit plan. We have reviewed our calculation based on the draft financial statements but has not deemed it necessary to change as the materiality level based on the draft financial statements was not significantly different from the planned materiality. We detail in the table below our assessment of materiality for Lancashire Combined Fire Authority.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	919k	£919k is 2% of the Authority's prior year gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue
Performance materiality	689k	75% of financial statement materiality
Trivial matters	45.9k	£45.9k and misstatements above that threshold in our view, warrant reporting on qualitative grounds.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of the authority mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the Authority.

2

Management override of controls

Under ISA (UK) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

Auditor commentary

- Our work included:
 - review of accounting estimates, judgements and decisions made by management
 - testing of journal entries
 - review of accounting estimates, judgements and decisions made by management
 - review of unusual significant transactions
 - review of significant related party transactions outside the normal course of business

Our audit work has not identified any issues in respect of management override of controls.

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Significant audit risks (continued)

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Authority revalues its land and buildings on a five yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

- Review of management's processes and assumptions for the calculation of the estimate.
- Review of the competence, expertise and objectivity of any management experts used.
- Review of the instructions issued to valuation experts and the scope of their work
- Discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions.
- Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they were input correctly into the Authority's asset register
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Valuation of properties was undertaken by a suitably qualified surveyor of Amcat UK. The total gross valuation in 2017/18 was £78.8m.

Our audit work has not identified any issues in respect of valuation of property, plant and equipment.

4

Valuation of pension fund net liability

The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

- 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 whether they were sufficient to mitigate the risk of material misstatement.
- Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation.
- Gaining 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.
- Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.
- Our audit work has not identified any issues in respect of the valuation of pension fund liability.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

6

Employee remuneration

Payroll expenditure represents a significant percentage of the Authority's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a different sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over the transaction cycle
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding
- Undertaken a reconciliation of total payroll costs to the general ledger
- Performed a substantive analytical review to identify other areas that required further investigation

Our audit work has not identified any issues in respect of completeness of employee remuneration.

7

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Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- Obtained a listing of non-pay payments made in April and ensured the sample had been charged to the appropriate year
- Reviewed the year-end EP reconciliation and investigated the significant reconciling items

Our audit work has not identified any issues in respect of completeness of operating expenses.

8

Firefighters pension scheme

The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.

We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.




Auditor commentary

We have undertaken the following work in relation to this risk:




- gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls;
- Reconciled the pension payroll to figures in the accounts
- Undertook an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year with a comparison of pensions paid on a monthly basis to ensure any unusual trends are satisfactorily explained

Our audit work has not identified any issues in respect of completeness and accuracy of firefighters pension scheme.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. 	<ul style="list-style-type: none"> The Authority's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts. Our testing of income and debtors confirmed the Authority is recognising income in line with its accounting policy 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of PPE and classification of fire premises as specialised or non-specialised Revaluation and Impairments Accruals Valuation of pension fund net liability Other provisions <p>We have discussed with officers the accounting treatment of its share of North West Fire Control. Following those discussions officers have amended the accounts so that they reflect the Authority's share of the assets and liabilities in the Financial statements of the Authority. We agree that this better reflects the substance of the arrangement and is in line best accounting practice.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the estimates and judgements made in the accounts as part of our work with no matters arising. reviewed the process by which management have used an external expert to provide a valuation of the Authority's property assets sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts. reviewed the calculation of your insurance provision and the basis for your provision for business rate appeals to confirm the judgements made by management are reasonable and consistent with prior years. reviewed the adjustments that have been made to reflect the Authority's share of North West Fire Control. 	
Other critical policies		<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.</p>	

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority which is included in the Audit Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to Natwest, Peterborough Council and CashPlus. This permission was granted and the requests were sent. Two of these requests were returned with positive confirmation, however one request was not received so we undertook alternative procedures, including agreeing the cash balance at year end to bank statements.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements; we did identify a small number of typographical and presentational errors which have been amended. Other changes made to disclosure notes and accounting policies are summarised on pages 14.
⑦ Significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided
⑧ Matters on which we report by exception	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Authority acquired in the course of performing our audit, or otherwise misleading.
⑨ Specified procedures for Whole of Government Accounts	<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> <ul style="list-style-type: none"> We have performed tests to confirm that the specified procedures are not required as the Authority does not exceed the threshold.

Value for Money

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance 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.”

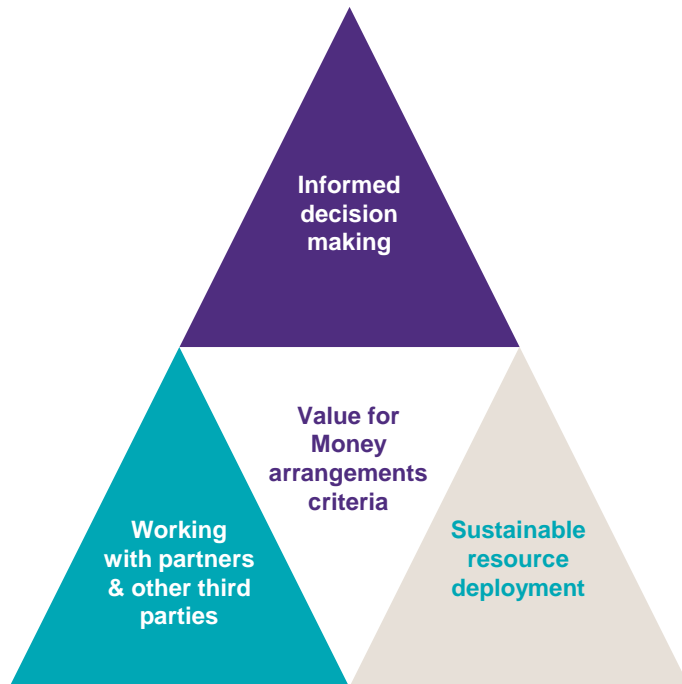
This is supported by three sub-criteria, as set out below:

Risk assessment

We carried out an initial risk assessment in January 2018 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 22 January 2018.

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

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Value for Money

Our work

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 officers

Overall conclusion

The Authority continues to have appropriate arrangements in place to manage its financial position and use resources effectively. The Authority delivered a balanced financial position in 2017/18, continues to have a reasonable level of available reserves and there is a low level of long-term borrowing. The Authority is provided with regular reports on the overall financial position. Based on the work we performed we have concluded that the Authority has proper arrangements in all significant respects to ensure it delivers value for money in its use of resources.

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

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.

Recommendations for improvement

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.

Looking ahead to 2018/19 the Authority will be subject to an inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. We will liaise as appropriate with the Inspectorate and take into account their findings as part of our audit of the Authority.

Independence and ethics

Independence and ethics

- 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Follow up of prior year recommendations

We identified the following issue in the audit of Lancashire Combined Fire Authority's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk as communicated in 2016/17 AFR	Update on actions taken to address the issue
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 179</p>	<p>1 ✓</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"> • its assets, including its share of any assets held jointly; • its liabilities, including its share of any liabilities incurred jointly; • its revenue from the sale of its share of the output arising from the joint operation; • its share of the revenue from the sale of the output by the joint operations; and • its expenses, including its share of any expenses incurred jointly. <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>	<p>Management had not implemented the recommendation, however, following further discussions during the audit management have agreed to implement the recommendation and the financial statements have been amended.</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000		Balance Sheet £' 000	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
	An adjustment affecting a number of lines in the core statements have been made to account for 25% share of the Authority in North West Fire Control Ltd				
1	Gross expenditure	700			
	Creditors - NWFC				700
2	Short Term Debtors			295	
	Gross Income		295		
3	Pension Interest cost & expected return on Pension assets - CIES	22			
	Pension Liability				22
4	Pension Reserve			102	
	Actuarial Gain on Pension Fund Assets		102		
5	Intangible assets			366	
	Plant, Equipment & vehicles			31	
	Cash an cash equivalents			164	
	General Fund – NWFC				561
	Totals c/fwd to next page	722	397	958	1,283

Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Totals b/fwd	722	397	958	1,283
6 Pension Fund Reserve – from prior year restatement			773	
Pension Liability				773
7 General Fund			233	
Capita Grants unapplied				120
Pension liability				113
Totals	722	397	1,964	2,289
Overall impact	£325			£325

Relevant entries have also been made to the Movement in Reserves Statement and Cash Flow statement to reflect the above adjustments in the Comprehensive Income and Expenditure Statement and Balance sheet.

Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Misclassification 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.

Disclosure omission	Detail	Adjusted?
Going Concern Note	<ul style="list-style-type: none"> A note has been added to accounting policies to reflect that the Authority is a going concern and therefore that the financial statements have been prepared under the going concern basis 	✓
EFA Income and Expenditure analysis by nature	<ul style="list-style-type: none"> Note 1 has been expanded to include Income and expenditure analysis by nature 	✓
Movement in the property, plant and equipment valuations	<ul style="list-style-type: none"> Note 6 has been expanded to include movement in the property, plant and equipment valuations for the past 2 years which agrees to the net book value of PPE at 31 March 2018. 	✓
Capital Commitments	<ul style="list-style-type: none"> The Capital Commitments of £914k included in note 6 includes technical rescue jackets on order amounting to £369k which is not capital expenditure. The note has now been updated to remove the protective clothing. 	✓

Fees

We confirm below our final fees charged for the audit.

Audit Fees

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

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). There have been no non-audit or audited related services that have been undertaken for the Authority other than those captured in the fee above.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 14, [the Narrative Report and the Statement on Annual Governance Arrangements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Statement on Annual Governance Arrangements does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Statement on Annual Governance Arrangements addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Statement on Annual Governance Arrangements for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. 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 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Robin J Baker

Robin J Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool, L3 1PS

July 2018



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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 24 July 2018

RISK MANAGEMENT

(Appendices 1 and 2 refer)

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.

In addition a review of the risk management strategy has been undertaken, and an updated strategy is presented for approval

Decision Required

The Committee is asked to:-

- note the actions taken;
- endorse the revised corporate risk register;
- agree the revised risk management strategy.

Information

The latest review of the corporate risk register has not identified any new risks which warrant inclusion on the corporate risk register.

Existing Risks

Of the existing risks 2 have 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 31/3/19	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.	The outstanding plans (86) that required review are on target for completion by the end of July 2018 as scheduled. The new digital forms based upon the operational crews Ipad are fully functional. All training has been completed including those for Station Managers with regards to audit. Operational Assurance Team scrutiny and reviews will commence in August 2018. Reviews of the Information Sharing Agreements with neighbouring FRS' are ongoing in readiness for digital cascade of risk information exchange for premises within 10km of a county border.	Remains at 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.	Previously discharged		

7	Failure of key ICT systems resulting in disruption to services	The planned strengthening of the NWFC Data Centre is under way with the equipment required on order; the additional resources for Systems Engineering have allowed ICT to develop a programme of modernisation to the ICT infrastructure which will see upgrades to some of our key architecture completed by the year end. The WAN Replacement is currently in design and will also be delivered by the end of the year , this will significantly enhance our network resilience. We are also looking at the vacant Network Security Manager role to rewrite the job description to align with the developing cyber security and information governance requirements of the Service.	Remains at 9	Medium
8	Loss of corporate reputation through negative publicity	No change, not due to report till 31/12/18	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	No change, not due to report till 31/12/18	12	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances	Previously 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 31/12/18	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 31/12/18	9	Medium
14	Delayed mobilisation, impacting on service delivery	No change, not due to report till 31/12/18	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 31/12/18	9	Medium
18	Inability to maintain service provision in spate conditions	Previously discharged		
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 31/3/19	9	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 31/12/18	9	Medium
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	No change, not due to report till 31/12/18	10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	No change, not due to report till 30/9/18	9	Medium

23	Lack of leadership capacity impacting on delivery of services	No change, not due to report till 30/9/18	9	Medium
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	Proposal to discharge	
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	No change, not due to report till 30/9/18	15	High

The Lancashire Resilience Forum (LRF)

In addition to our own Corporate Risk register the Fire Service has a duty to work in collaboration with partner agencies to plan for and respond to emergencies. The Lancashire Resilience Forum was created to facilitate this joint work, and involves the emergency services; local authorities; health agencies; Environment Agency and Maritime Coastguard Agency. Voluntary groups; transport providers; utility providers and local businesses provide help to the Forum.

The LRF work together to prepare and respond to emergencies in Lancashire by:

- Considering the hazards that feature in Lancashire, assessing the impacts of the risk and providing this information to the public in a Community Risk Register;
- Creating plans to help make the risks safer and to respond and recover should an emergency happen;
- Responding together in a coordinated way when something does go wrong;
- Training and testing to make sure we are ready;
- Learning the lessons from incidents and exercises.

The potential for national emergencies are determined by Government. The LRF considers the national issues alongside the local risk context, identifying the risks within the county and assessing how likely they are to lead to an emergency and the potential impact they would have. This information is used to create a Community Risk Register, attached as appendix 2, with the top risks in Lancashire being identified as follows

- Flu-type pandemic;
- Flooding;
- Terrorist attack;
- Industrial incident;
- Loss of essential services;
- Cold weather and snow;
- Heatwave;
- Storms and gales.

The LRF then identifies where plans are needed and arrangements required to deliver a multi-agency response. There are many emergencies that create similar problems that the LRF includes in its plans and considers when responding:-

- Disruption of road, rail and air transport networks which will require provision of help and information to those who may be stranded;
- Displacement of people who may not be able to get home or have been evacuated from home or work which may require the provision of safe places to shelter and transport to get there;
- Debris, rubble or contaminated/polluted land, air or water left behind after an event such as flooding which will need to be cleared and made safe;
- Large numbers of deaths or injuries with plans needed to help hospitals deal with an increased number of patients and mortuary spaces so that people can be treated with dignity;
- Loss of electricity, gas, water, oil or telephone with plans needed to issue advice to help people stay safe – especially those who may be more vulnerable and work with suppliers to manage interruptions;
- Disruption to public services such as school closures, bin collections, welfare payments.

The Service is an active member of the LRF with the risks identified by the LRF being considered for inclusion in our Corporate Risk Register, or covered by existing Business Continuity arrangements. Examples of this being Risk 18 Inability to maintain service provision in spate conditions which covers many of the key risks identified and which is supported by the Severe Weather Tactical Business Continuity Plan, on a similar basis the risk of a flu pandemic has previously been included in the corporate risk register (and should the likelihood of an outbreak increase would be re-instated on the register) and is covered by our existing Staff Absence Tactical Business Continuity Plan.

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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CORPORATE RISK REGISTER

July 18

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.	<p>The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities. The Final Settlement for 18/19 was in line with the four year settlement previously agreed. Next year's draft settlement was also in line with previous figures. Hence, barring exceptional circumstances, we anticipate next year's settlement showing a funding reduction of £0.5m. However there still remains some uncertainty surrounding the impact of Brexit. In addition the Government is currently consulting on a Fair Funding Review and changes to the Business Rates Retention Scheme, both of which may impact on future funding</p> <p>Based on current budget estimates we will be faced with a funding gap of £1.2m in 19/20 (assuming council tax is increased by 3%).</p> <p>The Authority will continue to review opportunities for further savings. The Authority holds sufficient reserves to enable it to meet this funding gap in the short to medium term.</p>	3	3	9	<p>Continue to monitor position and review implications arising from Brexit, fair funding review and Local Retention of Business Rates.</p> <p>Continue to identify savings opportunities</p>	31/03/2019	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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>All known high risk premises are recorded on the system.</p>	3	3	9	<p>The outstanding plans (86) that required review are on target for completion by the end of July 2018 as scheduled. The new digital form based upon the operational crews iPad are fully functional. All training has been completed including those for Station Managers with regards to audit. Operational Assurance Team scrutiny and reviews will commence in August 2018. Reviews of the Information Sharing Agreements with neighbouring FRS' is ongoing in readiness for digital cascade of risk information exchange for premises within 10km of a county border.</p>	30/09/2018	HoSD	DoSD	Serv Delivery

CORPORATE RISK REGISTER

July 18

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	<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 & 16 agreements in place with other NW FRSs. Regular dialogue takes place with key staff and representative bodies. 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				
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.	<p>The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County.</p> <p>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). 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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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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				
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 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. Through the Operational Assurance Group, Prevention, Protection and Response Task and Strategic Groups along with the Health, Safety and Environment Advisory Groups, internal and external learning are monitored and fed into the Training and Operational Review department to influence operational training.	3	3	9	Embed new arrangements. Monitor effectiveness of Operational Assurance Performance Report in disseminating information	31/03/2019	HoTOR	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
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	The planned strengthening of the NWFC Data Centre is under way with the equipment required on order, the additional resources for Systems Engineering have allowed ICT to develop a programme of modernisation to the ICT infrastructure which will see upgrades to some of our key architecture completed by the year end. The WAN Replacement is currently in design and will also be delivered by the end of the year , this will significantly enhance our network resilience. We are also looking at the vacant Network Security Manager role to rewrite the job description to align with the developing cyber security and information governance requirements of the Service.	30/06/2019	HoICT	HoICT	Strategy & Planning
8	Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils 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 for out-of-hours cover. Media training updated in December 2017 and forms part of middle manager development programme. Communication plans for all corporate projects include internal communication to ensure staff are well informed to reduce risk of misinformation. Corporate use of social media is embedded in communication plans with policy and guidance in place. Social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. Scanning and planning function helps anticipate and plan for specific reputational risks.	3	3	9	Social media policy and guidance requires review to ensure it keeps pace with issues and trends. Updated media training to be offered to managers outside of middle manager development programme. GDPR compliant guidelines on use of personal data in the form of images to be issued to all staff.	31/12/2018	HoCC	HoCC	People & Development

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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>Retention and recruitment of RDS staff impacts on RDS appliance availability.</p>	<p>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 Strengthening & Improving programme in place for 2 years now with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established and its being piloted across the Service with good levels of utilisation and improved visibility reported by those staff engaged in recruitment activity. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us.</p>	3	3	9	<p>RDS Pay review implemented during 2017 after Union consultation. Retained Support Officers implemented and now established across the county and the benefits of these roles starting to show through in the distance travelled amongst firefighters in the development stages of their careers. RSO's also focusing upon strengthening Incident Command skills amongst RDS staff to improve competency as well as their sense of feeling valued. On-going activity around RDS recruitment campaigns is starting to show benefits with successful completion of recruits courses in 2017 now running at between 85-95% (was at 50% in 2015). For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent courses.</p>	31/12/2018	HoSD	HoSD	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
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	Discharged				
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				
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 carried out as part of our OHSAS 18001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group.	31/12/2018	HoSHE	HoSHE	People & Development

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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.Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and the forthcoming General Data Protection Regulation (GDPR) in May 2018 remains a priority.	3	3	9	This workstream will be supported by the recent appointment of our Knowledge Information Officer. This post holder will ensure that Information Sharing Agreements and Information Management Systems are managed to be both efficient and compliant with the forthcoming Date Protection (GDPR) legislative changes. This work is a formal project managed at Group Manager level and has dedicated Terms of reference and work plans. Work remains ongoing in order to deliver performance management integration within our District Plans. Post Incident Activity Logs are now automated and work continues to automate the wider District Plan Key Performance Indicators (KPI's).	31/12/2018	HoServ Develop	DoSP	Strategy & Planning
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	Work is ongoing on a regional footprint to ensure that the data utilised is accurate, therefore leading to the most effective' time in attendance' for all appliances. The initial review of anticipated time in attendance when compared to the actual time in attendance is providing evidence that further changes are not required. Evaluation work is ongoing and it is anticipated that this workstream will close in early 2018.	31/12/2018	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.</p> <p>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"> • remain as we are • move towards a PCC 	2	3	6	Discharged				
17 Failure of ESMCP to deliver a viable communication facility.	<p>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.</p>	3	3	9	<p>Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and evaluation of Home Office (HO) documentation such as the vehicle mounted device specifications. The Programme has reported to the Parliamentary Advisory Committee and prioritised work with both key contractors, these being EE and Motorola. At this time LFRS is managing the project with business as usual resources following the secondment of our Project Manager to HO, a replacement has been identified and will start in role in April 2018. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by April 2018.</p>	31/12/2018	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
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. The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas.	3	2	6	Discharged				
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. Revised ICT Strategy presented to Resources Committee in March 2018 and includes 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 Additional Systems Engineering posts are now filled with the individuals already having a positive impact on the back log of work.	3	3	9	ICT are still carrying vacancies however work continues on filling these, with ICT working with HR to explore options to attract skilled staff such as telecommuting in addition to Apprentice/Graduate programmes.The introduction of Apprentice roles should allow additional capacity to build. Existing capacity has enabled ICT to start looking at new projects that they have been unable to support in previous years.	31/03/2019	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	Trials of the updated software upon the live system identified a number of errors. Therefore the updates were removed and the previous version of the Vector software remains in use and fit for purpose. Development work to fix the issues is ongoing whilst evaluations of a replacement product are scheduled for January 2018.	31/12/2018	HoServ Develop	DoSP	Strategy & Planning

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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	31/12/2018	HoServ Develop	DoSP	Strategy & Planning
22 Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NWS 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 pathways established for operational staff	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

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
24 Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	1	3	3	Proposal to discharge				
25 The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	The case looked at the applicability of Working Time in connection with the Belgian Fire Service and their version of On Call Controls. Legal opinion is being sought in connection with the case to identify its impact in the UK.	3	5	15	Review once legal opinion provided	30/09/2018	DoPD	DoPD	People & Development

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HIGH	1
MEDIUM	15
MEDIUM/LOW	5
LOW	4
	<u>25</u>

Scores

Likelihood

- 5 Certain, see next sheet
- 4 Very Likely, see next sheet
- 3 Likely, see next sheet
- 2 Unlikely, see next sheet
- 1 Rare, see next sheet

Impact

- Minor, see next sheet
- Noticeable, see next sheet
- Significant, see next sheet
- Critical, see next sheet
- Catastrophic, see next sheet

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Risk ID	Risk	Likelihood	Overall Impact	Overall Rating
H10	Radioactive substance release from a nuclear reactor	1	4	Medium
H11	Accidental exposure to radioactive material from incorrectly handled stolen source	3	2	Medium
H12	Biological substance release from facility where pathogens are handled deliberately	2	2	Medium
H13	Foreign nuclear accident affecting the UK	1	3	Medium
H14	Major contamination incident with wide spread implications to the food chain	5	2	Medium
H15	Maritime pollution	1	2	Low
H17	Severe storms and gales	3	2	Medium
H18	Low temperatures and heavy snow	3	3	High
H23	Influenza type disease (pandemic)	4	4	Very High
H24	Emerging infectious diseases	3	2	Medium
H25	H25 – Outbreak of exotic notifiable disease in animals including birds	3	2	Medium
H30	Emergency services; loss of F&R cover due to industrial action	5	2	Medium
H31	Actual or threatened disruption to fuel supplies due to industrial action	3	2	Medium
H33	National strike action by prison officers	2	1	Low
H35	Industrial action by key rail staff	3	2	Medium
H37	Influx of destitute / vulnerable British nationals who are not normally resident in the UK and cannot be accommodated by family / friends	5	1	Low
H38	Technical failure leading to disruption of oil and gas supplies	2	2	Medium
H39	Failure of water infrastructure or loss of drinking water	2	2	Medium
H40	Disruption or loss of telecommunications systems	2	1	Low
H41	Blackstart	3	3	High
H44	Major reservoir failure or dam collapse	1	5	High
H45	Disruption to regional electricity distribution or transmission network/system	3	3	High
H46	Biological release during a unrelated work activity or industrial process	4	3	High
H48	Heatwave	3	3	High
H50	Drought	1	2	Low
H54	Disruption to aviation as a result of volcanic ash	4	1	Low
H55	Severe effusive (gas rich) volcanic eruption overseas	3	1	Low
H56	Severe Space Weather	4	3	High

H57	Large scale public disorder	2	2	Medium
H59	Technological failure of the banking system	3	2	Medium
H6	Fire or explosion at an off-shore fuel pipeline	2	3	Medium
H7	Pipelines	1	5	High
H9	Large toxic chemical release	3	4	Very High
HL10	HL10 – Local accident on motorways and trunk roads	4	2	Medium
HL11	Railway accident	3	3	High
HL14	Local (road) accident involving transport of fuel / explosives	2	2	Medium
HL16	Local coastal tidal flooding (more than one region)	3	4	Very High
HL17	Local coastal tidal flooding (one region)	4	4	Very High
HL18	Local urban flooding (fluvial or surface water run off)	3	4	Very High
HL19	Local fluvial flooding	4	3	High
HL20	localised flash flooding	3	2	Medium
HL21	Land movement	1	1	Low
HL22	Building collapse	2	3	Medium
HL23	Bridge closure or collapse	2	2	Medium
HL24	Localised legionella or meningitis outbreak	4	2	Medium
HL26	Pipelines	1	5	High
HL28	Localised fire/explosion at fuel distribution site or tank storage of flammable or toxic liquids	2	2	Medium
HL3	Localised industrial accident involving small toxic release	3	3	High
HL30	Pipelines	1	5	High
HL33	Forest or moorland fire	3	2	Medium
HL34	Incident involving passenger vessel close to UK waters involving partial evacuation at sea	1	3	Medium
HL37	Release of significant quantities of haz chemicals/materials as a result of a major shipping accident	1	2	Low
HL4	Major pollution of surface water and ground water	5	2	Medium
HL42	Industrial action by workers providing service critical to the preservation of life	4	2	Medium
HL43	Outbreak of plant disease	1	1	Low
HL7	Industrial explosions and major fires	2	2	Medium
HL8	Incident involving passenger vessel close to UK waters involving evacuation	1	3	Medium
HL9	Aviation accident	1	3	Medium
L2	Waste Site Fires	3	2	Medium
L70	Pier evacuation	3	2	Medium
L92	Incident occurring at sports grounds	1	3	Medium

L93	Theme/leisure parks	1	2	Low
L94	Inter coastal shellfish harvesting	1	2	Low

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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 24 July 2018

SCHEME OF DELEGATION – PROPOSED AMENDMENTS (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services - Tel No. 01772 866804

Executive Summary

The attached Scheme of Delegation sets out the powers delegated to the Chief Fire Officer (CFO), Treasurer and Clerk to act on behalf of the Authority.

These have been reviewed and updated to reflect current legislation and recent changes to contract standing orders and financial regulations.

Recommendation

The Audit Committee is asked to agree the proposed changes.

Information

In line with best practice the Scheme of Delegation is reviewed on a regular basis.

The latest review has updated references to relevant legislation, as well as updating the scheme to tie in to recent changes on contract standing orders and financial regulations, approved by the Committee in March.

A proposed revised version is attached as appendix 1. The most significant changes are as follows:-

- Section 2.5 and 2.10 to amend the thresholds for approval of contract variations to reflect the higher of £50,000 or 15% of contract value, as per agreed financial regulations;
- Section 2.7, to align the value at which the CFO and Treasurer can grant exemptions to the contract procedures to £100k, as agreed in contract standing orders. This ensures consistency of contract thresholds at £100,000 thereby reducing the level of confusion that currently occurs whereby three separate thresholds are in place, under the revisions the following will apply:-
 - - the CFO and Treasurer can grant exemptions up to this figure, with any which exceed this requiring Authority approval;
 - the CFO and Treasurer can enter into contracts up to this figure, with any which exceed this requiring Authority approval;
 - any contracts which exceed this value are reported to the authority.

- Section 4.12 to increase threshold for writing off debt to £10,000, as per agreed financial regulations;
- Section 7.7 to increase threshold for writing off stock to £10,000, as per agreed financial regulations;
- Section 7.8 and 7.9 updated in line with agreed financial regulations to reflect disposal arrangements for fire appliances, where it is proposed to either:-
 - dispose of these, at below market value, for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service;
 - or to crush/sell them as scrap in order to minimize the risk of them being bought at auction and used inappropriately, thereby minimizing any reputational risk.

Financial Implications

None

Business Risk

The Scheme of Delegation forms a key element of the control framework within which the Authority operates.

Environmental Impact

None

Equality & Diversity Implications

None

HR Implications

None

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

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

**LANCASHIRE COMBINED FIRE AUTHORITY
SCHEME OF DELEGATION TO**

**THE CHIEF FIRE OFFICER
THE CLERK TO THE COMBINED FIRE AUTHORITY
THE COMBINED FIRE AUTHORITY TREASURER**

The powers delegated will be exercised in accordance with:

- a) The Standing Orders, Financial Regulations and Human Resources Service Order of the Combined Fire Authority (CFA) and any other conditions as the Combined Fire Authority, may from time to time prescribe.
- b) Any Codes of Practice relating to specific functions which may from time to time be adopted.
- c) Financial provision having been made in the approved annual revenue estimates.
- d) The appropriate national or other Conditions of Service relating to the employees, and any scales of remuneration or schemes approved by the Combined Fire Authority.
- e) Details of the action taken under the delegated powers being recorded and being open to the inspection of the Chairman and members of the Combined Fire Authority.
- f) Action take in consultation with the Chairman of the Combined Fire Authority must be reported to the next meeting of the Combined Fire Authority, or Committee thereof.

DEFINITIONS

In this Scheme the following terms are defined as follows:

'The Authority'	Lancashire Combined Fire Authority
'Fire and Rescue Service'	Lancashire Fire and Rescue Service
'The Constituent Authorities'	Lancashire County Council, Blackburn with Darwen Borough Council and Blackpool Council
'Employees'	Any employee of the Authority or Fire and Rescue Service whether uniformed or non-uniformed
'The Treasurer'	The Chief Financial Officer and Treasurer to the Authority
'The Clerk'	The Clerk to the Authority
'The Chairman'	The Chairman to the Authority

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1 LEGISLATIVE PROVISIONS

POWERS DELEGATED TO THE CHIEF FIRE OFFICER

Fire Safety Legislation

- 1.1 To authorise officers of the Fire and Rescue Service to act as Inspectors on behalf of the Authority's functions listed below:

Licensing Act 2003 S.96
Gaming Act 1968 S.43(9)
Theatres Act 1968 S.15
Local Government (Miscellaneous Provisions) Act 1982
14(1), 14(2) of Schedule 1.

- 1.2 To respond to the appropriate Local Authority when consulted on licensing matters concerning the above Acts.
- 1.3 To issue authorisations under the Fire and Rescue Services Act 2004.
- 1.4 To respond to any requests from the Health and Safety Executive for officers of the Fire and Rescue Service to act as Inspectors under the appropriate legislation.

The Regulatory Reform (Fire Safety) Order 2005

- 1.5 To appoint officers of the Fire and Rescue Service to act as Inspectors for the purpose of carrying out the enforcement and issuing of notices pursuant to Part 3 of the Regulatory Reform (Fire Safety) Order 2005 ("Enforcement").

The Regulatory Reform (Fire Safety) Order 2005

- 1.6 To serve, in appropriate cases, Counter Notices under Section 37(7) of The Regulatory Reform (Fire Safety) Order 2005.

County of Lancashire Act 1984

- 1.7 a) To give responses to consultation by District Councils under Sections 31 and 35 of the County of Lancashire Act 1984.
- 1.7 b) To serve Notices under Section 33(2) of the County of Lancashire Act 1984.
- 1.7 c) To respond to the Local Authority when consulted on matters related to Section 38 of the County of Lancashire Act 1984.

- 1.7 d) To authorise officers under Section 139 to enter premises for the purpose of Part VI of the County of Lancashire Act 1984 and to take samples for analysis under Section 40 of that Act.

The Dangerous Substances (Notification and Marking of Sites) Regulations 1990

- 1.8 To appoint officers of the Fire and Rescue Service of the rank of Station Officer or above as Inspectors under Section 19 of the Health and Safety at Work Act 1974, for the purposes of enforcing Regulations 5, 6 and 7 of the Dangerous Substances (Notifications and Marking of Sites) Regulations 1990.

The Construction (Health, Safety and Welfare) Regulations 1996

- 1.9 To appoint officers of the Fire and Rescue Service as Inspectors under Section 19 of the Health and Safety at Work Act 1974, for the purposes of enforcing Regulations 19, 20 and 21 of the Construction (Health, Safety and Welfare) Regulations 1996.

POWER DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE CHAIRMAN OF THE AUTHORITY

New Legislation

- 1.10 a) To authorise on behalf of the Authority the delegation as an interim arrangement of the powers and duties etc of the Authority under new legislation, to a Committee or officers in cases where action may be required to be taken by the Authority pending formal delegation of the legislation by the Authority to a Committee or officer.
- 1.10 b) To authorise action to protect the interests of the Authority in relation to any local or private Bill or Order deposited in Parliament.

2 TENDERS AND CONTRACTS

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN RESPECT OF ANY CONTRACT OR TENDER SUCH POWERS TO BE EXERCISED BY THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE TREASURER AND THE CHAIRMAN OF THE AUTHORITY

Acceptance of Tenders

- 2.1 To accept the most economically advantageous tenders for the supply of goods or services or the execution of works and to accept the highest tender where payment is to be received by the Authority. Provided that:
- 2.1 a) The tender has been received and opened in accordance with Standing Orders and financial regulations.
 - 2.1 b) The tender is within the approved estimate.
 - 2.1 c) The total of the contract sum is in excess of £100,000 and does not exceed £2,750,000.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN RESPECT OF ANY CONTRACT OR TENDER AND TO THE TREASURER IN RESPECT OF CONTRACTS OR TENDERS FOR FINANCIAL SERVICES

Acceptance of Tenders

- 2.2 To accept the most economically advantageous tenders/quotations for the supply of goods or services or the execution of works and to accept the highest tender/quotation where payment is to be received by the Authority. Provided that:
- 2.2 a) The tender has been received and opened in accordance with Standing Orders and financial regulations.
 - 2.2 b) The tender is within the approved estimate.
 - 2.2 c) The total of the contract sum is in excess of £25,000 and does not exceed £100,000.
- 2.3 Authority for the Seal of the Authority to be affixed to any contract or other document which may be necessary arising from 2.1 or 2.2 above.

Contracts - Rise and fall

- 2.3 To approve price variations justified under the Rise and Fall Clauses in any contract.

Increase in Contract Costs

- 2.4 To approve increases in contract costs due to delayed starts etc, where the cost can be contained within the original figure or by reductions in work or from within the contingency sum.
- 2.5 To approve contract variations up to £50,000 or 15% of the original contract sum (whichever is the greater).

Contracts

- 2.6 To enter into contracts valued at £100,000 or below in accordance with Standing Orders and Financial Regulations.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE TREASURER TO THE AUTHORITY

Exemption to Contract Standing Orders

- 2.7 To approve exemptions to Contract Standing Orders in respect of contracts valued at less than £100,000, where appropriate.

Tender Lists

- 2.8 a) To add firms to rotational tender lists.
- 2.8 b) To add firms to approved lists of tender.

Amended Tenders

- 2.9 To approve the acceptance of an amended tender where an arithmetical error is noted in the lowest tender originally submitted if it still remains the lowest after amendment.

Increase in Contract Costs

- 2.10 To approve contract variations in excess of £50,000 or 15% of the original contract sum (whichever is the greater), where in their opinion the delay incurred in seeking Authority approval would be impractical. Any approval to be retrospectively reported to the Authority for information.

3 LEGAL ACTION

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN RELATION TO LEGAL ACTION SAVE FOR THAT WHICH ARISES OUT OF THE CONSTITUTION OR ADMINISTRATION OF THE AUTHORITY IN WHICH CASE SUCH POWERS ARE DELEGATED TO THE CLERK

Recovery of Property and debts

- 3.1 a) To institute legal proceedings for the recovery of property and debts.
- 3.1b) To incur any necessary expenditure in relation to these legal proceedings.

Claims

- 3.2 a) To defend or arrange for the defence of any actions, claims or proceedings brought against the Fire and Rescue Services, settle claims for damages up to £50,000 (including making payments into court where necessary) and incur necessary expenditure in relation to legal processes involved including (but not limited to) expenditure in relation to the retention of external advisers including counsel, experts and external legal advisers.
- 3.2 b) In respect of insurance claims which exceed £50,000 the Authority insurers will take over dealing with the claim and will agree appropriate payments, these will be reported retrospectively to the Authority.

Payment of Damages

- 3.3 To authorise the payment of damages and legal costs arising as a result of a Court Order against the Authority to the sum or sums specified in the Court Order.

Ex Gratia Payments

- 3.4 To approve ex gratia payments to a maximum of £5,000 in the case of loss or damage to an employee's clothing and equipment or in relation to incidental expenditure arising from assault/serious injury to employees at work.

Legal Costs

- 3.5 To settle the amount of legal costs based on the Solicitors' (Non-Contentious Business) Remuneration Order 1994.

Retention of Counsel

- 3.6 To seek Counsel's opinion or other expert advice and to retain Counsel wherever this is in the interest of the Authority or the Fire and Rescue Service.

Indemnities

- 3.7 To sign indemnities where they are required to enable the Authority to exercise any of its functions provided that where the giving of an indemnity could have considerable financial implications the matter shall in consultation with the Treasurer be referred to the Chairman of the Authority.

Affidavits and Statements

- 3.8 To authorise employees to swear Affirmation or Statements in any legal proceedings or matters relating to the Authority or Fire and Rescue Service.

Regulatory Reform (Fire Safety) Order 2005

- 3.9 To take legal action (including the serving of statutory notices) and to institute criminal proceedings and to prosecute breaches identified by those officers referred to in Clause 1.5.

POWERS DELEGATED TO THE CLERK

Assaults on Employees

- 3.10 a) To determine whether assistance should be given to an employee to pursue a private prosecution or to institute civil proceedings following an assault on the employee in the course of employment duties.
- 3.10 b) To determine the total amount of legal costs than the Authority will reimburse in any particular matter.

4 FINANCE

POWERS DELEGATED TO THE CHIEF FIRE OFFICER

Civil Emergency

- 4.1 To authorise expenditure in the event of a civil emergency, where emergency action is necessary. Any action taken under this provision must be reported to the Chairman as soon as is reasonably practicable.

Grants to Voluntary Organisations

- 4.2 To make grants to voluntary organisations up to a limit of £5,000 in total per annum from within the approved Revenue Budget.

Special Services

- 4.3 a) To determine the rechargeable rates for Special Services carried out by the Fire and Rescue Service.
- 4.3 b) To waive or modify charges for Special Services.

Routine Expenditure

- 4.4 To incur revenue expenditure in line with budgetary provision in accordance with standing orders and financial regulations.

Virement

- 4.5 To approve transfers of expenditure between DFM Schemes up to £100,000.

Partnerships/External Funding

- 4.6 To enter, arrange, terminate and invest in partnership/external funding arrangements with such other bodies where they contribute to the aims and objectives of the Authority.

POWERS DELEGATED TO THE TREASURER TO THE COMBINED AUTHORITY IN CONSULTATION WITH THE CHIEF FIRE OFFICER

Combined Fire Authority Fund

- 4.7 a) To make all necessary payments out of the Combined Fire Authority Fund and other official funds maintained by the Authority
- 4.7 b) To make payments from the Combined Fire Authority Fund without prior approval of the Authority or Committee concerned irrespective of whether or not provision has been made in the Budget in respect of:
- i) payments required by statute;
 - ii) payments ordered by a Court;
 - iii) payments due under Agreements entered into or on behalf of the Authority;
 - iv) the implementation of decisions of recognised National Negotiating Bodies in relation to staff under the control of the Authority.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER JOINTLY WITH THE TREASURER AND/OR THE CLERK TO THE AUTHORITY

Financial Limits

- 4.8 To review the financial limits in Standing Orders, Financial Regulations on a regular basis in the light of any changes in monetary values.

Virement

- 4.9 To approve transfers between DFM Schemes of between £100,000 and £150,000.

POWERS DELEGATED TO TREASURER

Treasury Management

- 4.10 The execution and administration of the CFAs Treasury Management decisions, in accordance with Treasury Management Policies and CIPFAs Standards of Professional Practice on Treasury Management, including setting up and operating bank accounts and effecting borrowing and investment in the name of the Authority.
- 4.11 To enter into leasing/rental agreements on behalf of the Authority.

Year End Balances

- 4.12 To agree the carry forward of year end balances for specific items of expenditure up to an individual value of £100,000, such sum to be included in earmarked reserves, included in the Statement of Accounts and reported to the Authority.

Excusal of Debt

- 4.13 To writing off debts up to the value of £10,000 in any one case.
- 4.14 To approve the writing off of debts where the debtor is a company in liquidation and the liquidator or receiver has confirmed that there are insufficient assets to pay the outstanding debts due to the Authority or the Fire and Rescue Service in full or in part. Any cases which the Treasurer to the Authority feels unable to approve will be referred to the Authority

5 PERSONNEL

POWERS DELEGATED TO THE CHIEF FIRE OFFICER

Travel outside the UK

- 5.1 To approve staff travelling overseas where any costs involved can be contained within the existing revenue budget.

Staffing Proposals

- 5.2 To approve in any financial year, subject to the action being within budgetary provision:

- ◆ The disestablishment, transfer or extension of up to twenty five posts and
- ◆ the creation of up to twenty five posts or part posts and
- ◆ the regrading of up to twenty five posts

Removal Allowances

- 5.3 To extend the period for payments in relation to removal allowances.

Additional Employment

Non-uniformed staff

- 5.4 a) To allow staff on the Senior Officer and above to undertake additional paid employment provided that it does not conflict in any way with the interests of the Authority or the Fire and Rescue Service. In the event of the request being refused an appeal against the decision can be submitted to the Authority.

Uniformed staff

- 5.4 b) To approve or disapprove applications from uniformed staff to take up employment outside their normal duties.

Appointments and Promotion of Staff

- 5.5 To make appointments and promotions within the authorised staff establishment for uniformed and non-uniformed posts except for the post of Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer.

- 5.6 a) Non-uniformed posts only

- i) To fix starting salaries at any point within the grade of a post having regard to qualifications and experience.

5.6 b) Temporary staff

- a) To engage temporary or casual staff for the temporary replacement of existing staff absent on long term sickness, maternity leave, etc.
- b) To engage temporary or casual staff additional to the authorised establishment to meet exceptional needs, for a period of up to 24 months.

(a) and (b) are subject to there being budgetary provision.

- c) To approve the creation and extension of temporary posts which are fully funded by external agencies, e.g. Government Departments, Health Authorities, Local Authorities, Local Strategic Partnership.

Payment for Additional Duties - Non-Uniformed staff undertaking the duties of a higher graded post

- 5.7 a) To approve, where staff are formally requested by their Departmental Manager to undertake the full duties of a higher graded post of either a payment applicable to the post temporarily occupied or an increment. The undertaking of higher graded duties is related to the absence of the normal/permanent post holder and cannot be utilised to provide cover for annual leave.

The manager can split the duties of the post between two or more members of staff when appropriate honorarium payments will be made.

This procedure has to be instigated by the departmental manager and would not normally be used for short duration absences.

Leave

- 5.8 a) To grant leave, special leave with pay and special leave without pay in accordance with the Authority's Human Resources Service Order.
- 5.8b) To authorise staff to carry forward more than four days annual leave from one year to the next.
- 5.8 c) To grant time off in lieu of payment for additional hours.
- 5.8 d) To grant leave for examination studies and for extraneous duties such as acting as a Justice of the Peace.

Special Daily Training Duties

- 5.9 To approve increases in the Special Daily Training allowances payable to Fire and Rescue Service Instructors for off-centre training duties.

Discipline

- 5.10 To suspend an employee from duty in accordance with the appropriate disciplinary procedures.

Special Merit or Ability Non-Uniformed Staff

- 5.11 In an exceptional case of special merit or ability to assist in the retention of able professional or other staff, to award a maximum of two increments within the scale in any one year to any non-uniformed employee.

Courses and Post Entry Training

- 5.12 a) To authorise the attendance of employees on courses of study in the UK of up to 12 months duration and to authorise the payment of course fees etc. subject to compliance with the provisions of the Human Resources Service Order and the meeting of costs from within the approved Revenue Budget. Courses of longer than 12 months duration will be reviewed on an annual basis.
- 5.12 b) To approve the payment of additional costs related to family responsibilities eg for child care where a member of the uniformed staff has to attend a residential training course. This provision does not apply to Wholetime and Retained recruit training courses.

Conferences

- 5.13 To authorise the attendance of employees at conferences within the UK provided that the cost including fees, travelling and subsistence expenses amount to no more than £2,000 in any one case.

Car Categorisation

- 5.14 To approve car categorisations provided that the cost can be met from existing budgetary provision.

Retirements and Pensions - III Health Retirement Local Government Scheme Members

- 5.15 a) To authorise the payment of any statutory pensions, gratuities, grants etc under the provision of the Superannuation and Pension Act and Regulations and any local Acts.

- 5.15 b) To approve application for the reinstatement of Widows Pensions on the termination of a second marriage because of the death of a second husband, divorce, etc.
- 5.15 c) To determine the actual injury allowance payable on each individual qualifying case of injury or disease both retrospectively and for the future.
- 5.15 d) To approve the retirement/dismissal of non-uniformed staff on the grounds of permanent ill health provided that it is supported by medical opinion.
- 5.15 e) To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations as amended to employees who have sustained injuries or contracted diseases as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant circumstances of the payee.

Retirements and Pensions - The Firemen's Pension Scheme

- 5.16 To approve subject to the provisions of and in accordance with the Firemen's Pension Regulations:
 - 5.16 a) The retirement of members of the Fire and Rescue Service on the grounds of ill health and the payment of gratuities, ordinary and ill health pensions as appropriate, subject to the member of the Fire and Rescue Service concerned having the usual right of appeal.
 - 5.16 b) The counting of past service.
 - 5.16 c) The extension of service by not more than six months for the purpose of securing the payment of an improved pension.
 - 5.16 d) The re-assessment of an injury pension beyond the five year period depending on the circumstances of the case.
 - 5.16 e) To approve the early payment of preserved pension benefits on compassionate grounds.
 - 5.16 f) To approve applications for the reinstatement of Widows Pensions.
 - 5.16 g) To determine the actual injury allowance payable on each individual qualifying case of injury or disease both retrospectively and for the future.

Payment of gratuities to dependants of employees (National Joint Council for Local Government Services)

- 5.17 To approve the payment of gratuities to dependants of employees based on the provisions of the County of Lancashire Act 1984.

Planned overtime Non-Uniformed Staff

- 5.18 To approve in advance and in exceptional circumstances the working of planned overtime by non-uniformed staff who do not normally qualify for overtime payment. The cost must be met from within existing budgetary provision.

Protective Clothing

- 5.19 To approve where necessary protective clothing issues for employees subject to the cost being contained within existing budgetary provision.

Staff Suggestion Scheme – Bright Ideas

- 5.20 To approve awards under the Staff Suggestion Scheme – Bright Ideas

Additional Travelling Expenses

- 5.21 To review annually the rates of additional travelling expenses payable to members of the Fire and Rescue Service in accordance with Section 4 Part E of the National Joint Council for Local Authority Fire and Rescue Service Scheme of Conditions of Service Sixth Edition 2004 (updated 2009).

Day Crewing Allowance

- 5.22 To review annually the Day Crewing Allowance.

First Aiders and First Aid Allowance

- 5.23 To approve the number of designated first aiders and the payment of the appropriate first aid allowance.

Human Resources Service Order– Non Uniformed Staff

- 5.24 To make amendments to the Human Resources Service Order (applicable to non-uniformed staff) subject to consultation with the non-uniformed Trade Unions. (This excludes changes to the allowances listed in Paragraph 5.27 which are agreed by the Chief Fire Officer in consultation with the Treasurer to the Authority).

Sick Pay

- 5.25 To extend employee's period of sick leave on full or half pay in accordance with the scale and conditions set out in Service Orders.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE TREASURER TO THE AUTHORITY

Amendments to allowances in the Human Resources Service Order

- 5.26 To review and amend local allowances, as appropriate.

Local Government Pension Scheme Early Retirement

- 5.27 To take decisions on discretionary early retirements providing they are within the guidelines approved by the Authority.

Partial Performance

- 5.28 i) It is the policy of the Fire Authority that in the event of any industrial action being taken by employees involving partial performance of their employment contract the Fire Authority shall withhold all pay in respect of the shift on which the partial performance takes place. In addition, in circumstances where employees refuse to undertake the full range of duties of their post they shall be warned of the consequences of their action and if their refusal to work normally persists they may be sent home without pay and instructed not to return to work until they are prepared to provide a written undertaking that they will fulfil the full range of duties associated with their post. In circumstances of partial performance any work undertaken by the employee will be regarded as voluntary work which will not attract payment.
- 5.28 ii) The Chief Fire Officer/Deputy Chief Fire Officer will make a judgement in liaison with the Director of People and Development as to whether the situation highlighted is one of partial performance of the Employment Contract and/or should be dealt with in another way.

Disciplinary Procedures

- 5.29 The suspension or dismissal of an employee under the provision of disciplinary procedure.

6 LAND AND BUILDINGS

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE CLERK, TREASURER AND CHAIRMAN OF THE AUTHORITY

Acquisition of Land and Buildings

- 6.1 To approve the acquisition of land and buildings subject to the:
- a) Acquisition being in the approved Capital Programme
 - b) Total value of payment in any one case not to exceed £250,000

POWERS DELEGATED TO THE CHIEF FIRE OFFICER

Hire of additional buildings and facilities

- 6.2 To approve the hire or use of additional buildings or facilities for the purpose of the Authority or the Fire and Rescue Service.

Use of Premises by Members

- 6.3 To approve any requests for the free use of premises by Members of the Constituent Authorities for use as surgeries subject to any cost to the Authority being kept within reasonable limits.

Disposal of Land and Buildings

- 6.4 To approve the disposal of land and buildings including Day Crewed houses, no longer required for the Authority or the Fire and Rescue Service. This is subject to prior confirmation by the Authority that the property concerned is surplus to requirements. An annual report on disposals under this delegated power is to be submitted to the Authority.
- 6.5 To authorise the sale of land to statutory undertakers for the purposes of their statutory functions.
- 6.6 To approve the disposal of property by public auction and where appropriate to set the reserve price.
- 6.7 To accept the highest tender of offer received for the sale of land and buildings following the evaluation of bids.

Dilapidation Claims

- 6.8 To settle dilapidation claims and compensation payments at the termination or surrender of hirings or lettings up to the sum of £25,000 in any one case.

Leases

- 6.9 To grant and accept leases and licences of land and premises (including acceptance of the surrender of these) for the purposes of the Authority subject to:
- a) the period of the lease not exceeding ten years
 - b) the annual payment or receipt exclusive of rates and similar charges not exceeding £50,000 for both land premises

Use of Premises by outside organisations or individuals

- 6.10 To approve the use of Fire and Rescue Service buildings, premises and facilities being used by outside organisations subject to the policy from time to time laid down by the Authority. The policy currently is:

Use by Community and Voluntary Groups

Groups will be allowed to use the rooms free of charge subject to them adhering to the guidance laid down by the Station Commander.

Use by Political Parties

Definition of a political party. A group whose aim is to represent the public as elected members in either Parliament or at a local level or to promote a particular ethos.

The charge for political parties will be the full market rate for hire of premises, plus any additional staff costs involved in providing entrance to and exit from the station.

However, where such meetings could generate a disturbance which would adversely affect the efficient operation of the Fire Station, the Chief Fire Officer would retain the right to refuse permission.

Use by other Organisations

Other organisations will be charged for the use of premises. Such charge to be determined by the Chief Fire Officer.

Residential Tenancies

- 6.11 To approve the letting or the changes of terms of an existing tenancy of residential premises.

Planning Permission

- 6.12 To seek Planning Permission under the appropriate Regulations and to obtain Building Regulations Approval as appropriate.

Surplus Land and Buildings

- 6.13 To declare land and buildings surplus to requirement provided.
- a) The land and buildings do not exceed £1m in value in any one case.
 - b) An appropriate appraisal of the land and buildings has been carried out.

Local Plans

- 6.14 To lodge objections and submit proposals regarding local plans/issues which affect CFA land or buildings.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE CLERK AND TREASURER TO THE AUTHORITY

Wayleaves and Easements

- 6.15 To grant and accept Wayleaves and Easements and to approve the consideration payable to or by the Authority.

7 FURNITURE, EQUIPMENT AND VEHICLES

POWERS DELEGATED TO THE CHIEF FIRE OFFICER

Telephone Installations and Radio

- 7.1 a) To arrange for the provision of telephones, radio communications and other technical services for operational purposes.
- 7.1 b) To enter into Line Rental Agreements for facilities required for Fire and Rescue Service purposes.

Subject to the costs of 7.1(a) being met from existing budgetary provision.

Raising of charges for lost/damaged uniform or equipment

- 7.2 To raise charges for any item of equipment lost or damaged through negligence or carelessness on the part of the Fire and Rescue Service employee to a degree insufficient to warrant formal disciplinary action, where the individual concerned is willing to accept this method of dealing with the matter. The amount of any charge raised will take into account the age and condition of the article at the time of the loss, damage or replacement.

Replacement Vehicles

- 7.3 To select vehicles to be replaced under the agreed Replacement Programme and within the approved Revenue Budget and Capital Programme.

Use of Vehicles

- 7.4 a) To approve the use of officers employed on the "flexible" system of duty, of cars provided for them for official duties, and to approve such use for private purposes whilst on restricted journeys within the officers area of operation whilst the officer remains available for immediate call.
- 7.4 b) To agree to official vehicles being used to provide transport for members of the Fire and Rescue Service participating in local or national events.

Processions and Displays

- 7.5 To determine the occasions and conditions under which fire appliances, officers and equipment may be used to participate in processions, displays or other events organised by Local Authorities or other bodies.

Hiring out of Equipment

- 7.6 To approve the hiring out of vehicles, plant and equipment subject to an economic charge being made and subject to appropriate contractual provisions relating to insurance etc being agreed.

POWERS DELEGATED TO THE TREASURER OF THE AUTHORITY

Lost, damaged, obsolete and surplus items of furniture, equipment, stocks and stores

- 7.7 a) To write off and dispose of furniture, equipment, stocks and stores found to be lost, damaged or obsolete; to a maximum value per individual item of £10,000.
- 7.7 b) To dispose of any surplus furniture, vehicle, equipment, stocks and stores in accordance with policies approved from time to time by the Authority.
- 7.7 c) To dispose of Fire and Rescue Service vehicles/equipment due for auction to other Fire and Rescue Services and organisations where there is a quasi Fire Service relationship. The price must be commensurate with that which would be anticipated at public auction.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN CONSULTATION WITH THE TREASURER TO THE AUTHORITY

- 7.8 To dispose of Fire and Rescue Service vehicles and equipment for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service, at, or below, market value, or crushed and sold as scrappage (subject to the appliance having a market value of less than £10,000).

**POWERS DELEGATED TO THE CHIEF FIRE OFFICER IN
CONSULTATION WITH THE TREASURER AND CHAIR OF THE
AUTHORITY**

- 7.9 To dispose of Fire and Rescue Service vehicles and equipment for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service, at, or below, market value, or crushed and sold as scrappage (subject to the appliance having a market value in excess of £10,000).

8 MISCELLANEOUS

POWERS DELEGATED TO THE MONITORING OFFICER TO THE AUTHORITY

(NB - The Clerk to the CFA is also the Monitoring Officer)

Local Government and Housing Act 1989

- 8.1 To issue certificates sought by employees seeking exemption from political restriction under the Local Government and Housing Act 1989 where the Monitoring Officer is of the opinion that the duties of their posts do not fall within Section 2(3) of that Act.

POWERS DELEGATED TO THE CLERK TO THE AUTHORITY

Copyright and Access to Information

- 8.2 To authorise the making and supply to the public of copies of background papers.

POWERS DELEGATED TO THE CHIEF FIRE OFFICER AND/OR CLERK TO THE AUTHORITY

Common Seal

- 8.3 To affix the Seal of the Authority to any relevant document.

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