

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 25 September 2019 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 - 14)

4. MINUTES OF MEETING THURSDAY, 29 AUGUST 2019 OF RESOURCES SUB-COMMITTEE (CONTRACT VARIATIONS) (Pages 15 - 18)

5. REVISIONS TO THE STATEMENT OF ACCOUNTS 2018/19 (Pages 19 - 116)

6. FINANCIAL MONITORING 2019/20 (Pages 117 - 126)

7. EQUALITY, DIVERSITY AND INCLUSION ANNUAL REPORT (Pages 127 - 172)

8. ORGANISATIONAL DEVELOPMENT PLAN (Pages 173 - 200)

9. LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS (Pages 201 - 204)

10. DATE AND TIME OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 27 November 2019 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 25 March 2020 and 20 May 2020
 proposed for 23 September 2020

11. 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.

12. 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

13. INTERNAL DISPUTES RESOLUTION PROCEDURE - STAGE 2 (Pages 205 - 274)

Report to follow.

14. HIGH VALUE PROCUREMENT PROJECTS (Pages 275 - 280)

15. URGENT BUSINESS (PART 2)

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

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 29 May 2019, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
N Hennessy (Vice-Chair)
Z Khan (for F Jackson)
T Martin
D O'Toole
M Parkinson (for S Blackburn)
G Wilkins
T Williams

Officers

D Russel, Deputy Chief Fire Officer (LFRS)
B Norman, Acting Assistant Chief Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

34/18 APOLOGIES FOR ABSENCE

Apologies were received from Councillors Simon Blackburn and Fred Jackson and County Councillors Lorraine Beavers and David Stansfield.

35/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

A personal, non-pecuniary interest was declared by County Councillor G Wilkins in relation to items to be discussed under part 2 of the agenda.

36/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 27 March 2019 be confirmed as a correct record and signed by the Chairman.

37/18 YEAR END TREASURY MANAGEMENT OUTTURN 2018/19

The report set out the Authority's borrowing and lending activities during 2018/19. All borrowing and investment activities undertaken throughout the year were in accordance with the Treasury Management Strategy 2018/19, and were based on anticipated spending and interest rates prevailing at the time.

In accordance with the CIPFA Treasury Management code of practice and to

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

Economic Overview

The Director of Corporate Services confirmed that the UK economy had continued to show economic growth with the last annual GDP growth being at 1.4% although this was below recent growth trends. The continued uncertainty regarding the outcome of the discussions to leave the European Union has been impacting on the economy. However, growth had also been affected by world factors.

The continued uncertainty over the economy meant that the Bank of England had continued with its policy of slow and gradual increases in interest rates. Therefore the only change in the base rate came in August when the base rate was increased from 0.50% to 0.75%. The treasury management activity was undertaken with the expectation that interest rates would remain at the historically low levels but that there would be small increases. The latest forecast from Arlingclose, the County Council's Treasury Advisers, was for a 0.25% increase in the base rate in both of the quarters ending March and September 2020.

Borrowing

The borrowing of the Fire Authority had remained unchanged at £2m in 2018/19. The current approved capital programme had no requirement to be financed from borrowing and the debt related to earlier years' capital programmes. Consideration had been given to repaying the £2m but as reported to the Resources Committee as part of the 2019/20 Treasury Management Strategy the penalties incurred on repaying the loans early would incur significant costs. It was concluded that the repayment was not considered to be financially beneficial at the time. However, the situation was periodically reviewed by the Director of Corporate Services. The loans outstanding were all with the Public Loans Works Board (PWLB) and the maturity and interest rates were shown in the report. The total interest paid on PWLB borrowing was £90k which equated to an average interest rate of 4.49%.

Investments

Both the CIPFA Code and the MHCLG Guidance required the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. Throughout the year when investing money the key aim was to strike an appropriate balance between risk and return.

In order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys Aa3) was the main counterparty for the Authority's investments via the operation of a call account. However the Treasury Management Strategy did permit investment with other high quality counterparties including other local authorities. During the year the cash held by the Authority had been positive with the highest balance being £48.7m and the lowest £28.5m. Therefore, given that the expectation was that interest rates would remain low the opportunity was taken to undertake some fixed term investments with other local authorities rather than keeping all the monies in the call account. This aimed to enhance the investment

return while keeping the credit risk low. The Authority held 4 fixed term investments totalling £20m, and investing in these fixed term deposits, rather than leaving the money in the call account, had increased the interest received in 2018/19 by £102k although this did reduce the liquidity of the call account provided by Lancashire County Council paid the base rate throughout 2018/19.

The overall interest earned during this period was £0.358m at a rate of 0.95% which compared favourably with the benchmark 7 day index (Sterling Overnight rate 7 day rate) which averaged 0.66% over the same period.

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

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

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators had been determined against which performance could be measured. The revised indicators for 2018/19 were presented alongside the actual outturn position.

In response to a question raised by CC Martin, the Director of Corporate Services confirmed that when investments matured these were returned to the Authority, at which time he would discuss and agree with Lancashire County Council Treasury Management Team the options for further investment; with security the first priority.

RESOLVED: - That the Committee noted and endorsed the outturn position report.

38/18 YEAR END CAPITAL OUTTURN 2018/19

The report presented the year end position for the Authority's capital programme including how this had been financed. The year end position for the Authority's capital programme showed total expenditure of £2.4m compared with the budget of £4.2m, with the difference being slippage of £1.8m. It was noted that slippage was a timing issue dependent on the progress of capital schemes and not an indication of future underspends.

The programme had been financed in year, from a combination of revenue contributions (£2.0m), the drawdown of earmarked reserves (£0.03m) and the drawdown of capital reserves (£0.4m), as detailed in appendix 1 of the report.

Prudential Indicators 2018/19

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

The revised indicators, after allowing for the various changes to the capital programme, were set out in the report alongside the actual outturn figures confirmed that performance had been within approved limits.

The Impact of Slippage from the 2018/19 Capital Programme into the 2019/20 Programme

The original approved capital programme for 2019/20 was £11.4m. This had been updated to reflect the final level of slippage of £1.8m.

In addition the resultant budget had been reviewed for any changes in timing assumptions since budget setting, and the following changes had been made:

- Vehicles £0.7m, the majority of which related to replacement pumping appliances, whereby we need to undertake a new procurement exercise prior to ordering replacement appliances, and the change in cab specification had led to a delay in undertaking this exercise;
- Building Modifications £4.0m, which related to delays on the Fleet workshop project, pending Polices decision re training requirements, and on Preston Station where design work was still on-going;
- ICT £1.1m – the majority of this related to the replacement Vehicle Mounted Data System hardware, which had been put on hold pending delivery of the national ESMCP project and therefore will not be progressed during 2019/20. The remainder related to various systems which were not expected to be replaced in the year.

Therefore the final proposed capital programme for 2019/20 was £7.5m, funded from capital grant, revenue contributions, and capital reserves. The revised programme and its funding were set out in appendix 2 and considered by Members.

Revised prudential indicators for 2019/20-2021/22 showed that the revised programme remained affordable, prudent and sustainable.

Capital Reserves

As set out in the report, capital programme over the next 5 financial years would leave a balance of £2.9m in capital reserves.

In response to a question raised by County Councillor Wilkins regarding the impact of slippage into the 2019/20 programme relating to ICT, the Head of Finance confirmed that while we waited for the national ESMCP project to be progressed, assurance had been received that the vehicle mounted data system hardware could be put on hold however, some parts of the software were being replaced.

In response to a question raised by Councillor Williams the Director of Corporate Services confirmed that other Fire Services were facing the same delay although Services were not all at the same point depending on their systems; some may have replaced their vehicle mounted data system hardware already.

In response to a concern raised by County Councillor O'Toole for the need to be tighter on forecast expenditure the Director of Corporate Services confirmed the monies would be spent however, the difficulty was in estimating the timing of the spend. For example, the manufacture of a second water tower vehicle and the replacement of the Service wide area network had both been delayed which resulted in the expenditure slipping into 2019/20.

RESOLVED: - That the Committee: -

- i) Noted the capital outturn position, the financing of capital expenditure 2018/19 and the prudential indicators; and
- ii) Approved the revised 2019/20 capital programme, and the financing of this and the prudential indicators.

39/18 YEAR END REVENUE OUTTURN 2018/19

This report presented the revenue outturn position, and the impact of this on usable reserves. The overall outturn position showed an underspend of £435k, which was lower than the £508k underspend previously forecast.

The annual budget for the year was set at £54.770m. The final outturn position showed net expenditure of £54.335m, giving a total underspend for the financial year of £435k. As set out in the Year End Usable Reserves and Provisions Outturn report (reported elsewhere on the agenda) it was proposed to transfer £333k to the general reserve and £102k to earmarked reserves, predominantly to the Prince's Trust Reserve.

The final position within individual departments was broadly consistent with that reported throughout the year, and specifically the forecast presented to the March Resources Committee. As previously reported, the majority of the underspend during 2018/19 related to additional funding received during the last quarter of the financial year. The detailed final revenue position was set out in Appendix 1, with major variances being summarised in the report.

Delivery against savings targets

It was noted that performance exceeded the efficiency target largely as a result of staffing savings made and procurement savings in respect of contracts let during the year.

In response to a question raised by County Councillor O'Toole regarding the level of underspend, the Director of Corporate Services advised that the aim was for a breakeven position at year end however, 2 additional sources of funding (which could not have been predicted or budgeted for) had been received from the Government during the last quarter i) for redistribution of unused national business rates levy fund which provided the Service with £237k and ii) section 31 grant for business rates relief which provided a further £192k; without these sums the outturn position would have been at break even.

The Director of Corporate Services advised that in relation to the claim for Emergency Financial Assistance under the Bellwin Scheme for the winter hill incident the Government had confirmed that in principle (and subject to a review of the claim) they would meet the costs from section 31 grant and not from the Bellwin Scheme; the position re any potential future claims was being raised at a national level.

In response to a question raised by County Councillor Wilkins regarding the proposal to transfer £109k into the Prince's Trust earmarked reserve, the Director of Corporate Services advised that this was in response to a number of risks associated with the Prince's Trust funding including providing a greater buffer for any future loss of college funding following a planned merger between Accrington &

Rossendale College and Nelson & Colne College. The funding would be monitored during the financial year and would be reviewed in 12 months' time.

RESOLVED: - That the Committee noted and endorsed the outturn position on the 2018/19 revenue budget.

40/18 YEAR END USABLE RESERVES AND PROVISIONS OUTTURN 2018/19

The report presented the year end outturn position in respect of usable reserves and provisions based on the information reported in the Revenue Outturn, Capital Outturn and Treasury Management Outturn reports.

The Authority approved the reserves and balances policy as part of its budget setting process, in February, with the year-end outturn position being reported to Resources committee and included in the statement of accounts. The previously reported Revenue Outturn, Capital Outturn and Treasury Management Outturn all fed the Authority's overall reserves position, which was considered by Members as summarised in the report.

General Reserve

These were non-specific reserves kept to meet short/medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

In response to a question raised by County Councillor O'Toole in relation to the level of reserves summarised on page 36 of the agenda pack the Director of Corporate Services advised that the Authority needed to hold an adequate level of general reserves in order to provide:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events;
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

As a precepting Authority any surpluses or deficits were transferred into/out of reserves in order to meet future potential commitments, and as such the balance of the surplus on the revenue budget, £333k, had been transferred into this reserve. After allowing for transfers the Authority now held a General fund balance of £8.2m. This was within the target range agreed by the Authority at its February meeting, £3.2m to £10.0m. The Director of Corporate Services confirmed that the funding assumptions in the medium term financial strategy showed there were plans to use the General Fund balance, with projections showing a funding shortfall over the medium term which would require the drawdown of reserves in future years.

Earmarked Reserves

The reserve covered all funds, which had been identified for a specific purpose. The overall reserves level increased slightly from £7.9m to £8.0m, with the detailed position in respect of the various earmarked reserves considered by Members as set out in the report.

The Director of Corporate Services highlighted:

PFI Equalisation Reserve – This reserve was to smooth out the annual net cost to the Authority of both PFI schemes, and would be required to meet future contract payments. The level of reserve required to meet future contract payments had been updated to reflect current and forecast inflation levels.

Public Works Loan Board – This reserve was created to meet the potential penalty costs associated with repayment of the remaining PWLB loans. The Authority still had £2.0m of long term loans, incurring £0.1m of interest charges per annum. Opportunities to repay these were reviewed to save any interest payments, however based on the current penalty of £0.9m this was not considered prudent at the present time.

In response to Member questions the Director of Corporate Services confirmed that if a decision was taken not to repay the loans there would be no need for the reserve, similarly if the potential penalty reduced, the size of the reserve would also reduce with any difference going back into the revenue general fund.

Insurance Aggregate Stop Loss – The Authority has aggregate stop losses on both its combined liability insurance policy and its motor policy. In any one year the maximum liability for insurance claims is capped at the aggregate stop losses. As such the Authority can either meet the costs direct from revenue or can set up an earmarked reserve. Within Lancashire we have chosen to meet the potential costs through a combination of the two. Hence the amount included in the revenue budget reflected charges in a typical year with the reserve being set up to cover any excess over and above this. As such the reserve, combined with amounts within the revenue budget, provide sufficient cover to meet 2 years' worth of the maximum possible claims.

Capital Reserves and Receipts

Capital Reserves had been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years; as such they could not be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority could support.

Capital Grant had been previously received in relation to Lancaster Fire Station rebuild, this has been fully utilised within the year. Capital Receipts were generated from the sale of surplus assets, which had not yet been utilised to fund the capital programme.

In 2018/19 £352k of capital reserves were used. However, this was partly offset by the sale of assets, which generated £69k of capital receipts. As a result of this the Authority currently held £19.0m of capital reserves/receipts. The Director of Corporate Services advised that (as set out on page 41 of the agenda pack) the capital reserves reduced to £3m over the 5-year programme. Without this level of reserves the capital programme would be unaffordable and hence the Authority's ability to invest improvements would be limited. He advised that the reserves identified did not allow for the potential relocation of Service Headquarters. If this was included then all capital reserves and receipts would be utilised to fund this, as well as potentially requiring additional borrowing.

North West Fire Control Reserves

Last year's accounts were amended to reflect the Authority's 25% share of North West Fire Control Ltd. As such the 2018/19 accounts would be updated in due course however, these were not available at the time of writing the report therefore it had been assumed that the year end position had not changed from 2017/18 to 2018/19 (which would be updated for the final version of the accounts). It was noted that these reserves were not available for use, as they formed an essential part of NW Fire Controls financial planning.

Provisions

The Authority had three provisions to meet future estimated liabilities:-

- Insurance Provision, which covered potential liabilities associated with outstanding insurance claims. A review of current claims outstanding and our claims history had been undertaken and as such the provision had increased to £502k at 31 March 2019.
- RDS Provision, which covered potential costs associated with RDS personnel relating to employment terms and eligibility to join the Pensions Scheme.
- Business Rates Collection Fund Appeals Provision, which covered the Authority's share of outstanding appeals against business rates collection funds, which was calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end accounting for the business rates collection fund. The change in this reflected the latest estimates provided by billing Authorities.

The overall position at year end showed the Authority (excluding North West Fire Control balances) holding £36.5m of reserves and provisions, compared with the anticipated position of £36.1m identified in the Reserves and Balances Policy, agreed in February. The majority of the difference relating to the additional grant funding received in respect of Business Rates at the end of the year. At this level the Treasurer believed these were adequate to meet future requirements in the medium term.

RESOLVED: - That the Committee: -

- i) noted the additional £62k of earmarked reserves and the additional £198k of provisions, contributing to the overall revenue outturn position;
- ii) agreed the year end transfers associated with the revenue outturn, £333k to the general reserve and £102k to earmarked reserves;
- iii) agreed the year end transfer associated with the capital outturn, £352k drawdown from capital reserves and £28k drawdown from earmarked reserves;
- iv) noted £69k of capital receipts;
- v) noted and endorsed the overall level of reserves and provisions as set out in the report.

41/18 CORE FINANCIAL STATEMENTS 2018/19

This report presented the Core Financial Statements, which formed part of the Statement of Accounts for the Combined Fire Authority for the financial year ended 31 March 2019.

The Statements took 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 and were prepared in line with recommended accounting practice which was not accounted for on the same basis as we accounted for council tax. As such this meant they did not match the details in the Outturn reports, and hence the sections provided an overview of each statement and a reconciliation between Outturn reports and the Core Financial statements where appropriate.

It was noted that the 2018/19 core statements presented assumed that the Authority's 25% share of North West Fire Control Ltd year end position had not changed from 2017/18 to 2018/19 (which would be updated for the final version of the accounts).

The Director of Corporate Services had circulated before the meeting a slightly updated version of the Core Financial Statements 2018/19. He advised that after the report had been produced the full statement of accounts was reviewed for accuracy and as part of that process an error was found which related to a year end adjustment for the Authority's share of billing authorities' year end council tax collection fund. In order to present an accurate position to Members it was felt timely to present an updated version of the core financial statement at the meeting. County Councillor O'Toole commended the team on noticing the error and bringing it to the attention of the Committee.

Members considered the appendices:

Narrative Report

This set out the financial context in which the Combined Fire Authority operated, and provided an overview of the financial year 2018/19 as well as details of future plans. The performance statistics for 2018/19 were not yet completed and would be updated prior to the final version being approved.

Comprehensive income and expenditure account

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

Movement in reserves statement

This statement showed the movement in the year on the different reserves held by the Authority, analysed into i) 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) and ii) Unusable Reserves (which include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences 'between accounting basis and funding basis under regulations').

Balance Sheet

This showed the value as at the date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) were matched by

the reserves held by the Authority.

In response to a question from County Councillor Wilkins the Director of Corporate Services confirmed that the majority of the 'Other Long-Term Liabilities' net liability of £831m (as detailed on page 7 of the revised report) was in relation to the unfunded firefighters pension scheme which was based on an actuarial accounting valuation, not the full tri-annual valuation.

Cash flow statement

This statement showed the changes in cash and cash equivalents of the Authority during the reporting period. The statement showed how the Authority generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2019. This would be subject to review by the Authority's external auditors, Grant Thornton which was 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 would be asked to sign the final statement of accounts, as well as the Treasurer. Following which a final audited set of accounts would be presented to the Resources Committee for information.

RESOLVED: - That the Committee noted and endorsed the Core Financial Statements.

42/18 2019/20 BUDGET UPDATE

The report provided an update on 2019/20 budget in respect of increased pension costs and associated grant and revised Section 31 grant calculation in respect of business rate reliefs. Dependent upon the outcome of discussions with MHCLG the Authority was potentially looking at a net shortfall on its revised budget of £94k, which could be met from an additional drawdown of reserves.

Pension Costs

As reported at the last Resources Committee the Home Office released the results of the valuation in March, providing details of the increase in employer contributions for the 1992, 2006 and 2015 schemes as set out in the report. These increases were significantly higher than the 12.6% increase that had been quoted. As a result of this all Fire Authorities suffered a significantly higher budgetary impact than initially calculated.

Representations had therefore been made to the Home Office stating that their additional national funding of £97m was not sufficient, as it was based on an incorrect calculation. This had been accepted by the Home Office and the Treasury, who have provided an additional £18m of grant to cover this.

In terms of Lancashire we had now had chance to fully work through the new rates, based on the actual mix of employees in each scheme. The total cost of the new employer pension contributions was £3.5m, some £0.4m higher than budgeted. However grant now stood at £3.1m, £0.5m higher than budgeted. Hence the net

effect was actually a budget reduction of £0.1m.

It was emphasised that, as previously highlighted, no allowance had been made in the 2019/20 budget for any increased costs associated with the DCP crewing system and in particular any changes to the pensionability of the allowance. It was noted that the cost of moving to a 30% pensionable allowance, if it was agreed, would have increased from £150k to £300k as a result of the increased pension contributions. The ongoing funding of this pressure would be considered as part of the Spending Review process.

Section 31 Grant in respect of Business Rates Relief

Part of the Authority's funding came from business rates in the form of a locally retained share and a top-up grant. At previous Autumn statements and Budget events, the Chancellor of the Exchequer announced various changes to the business rates system, such as small business relief. The Government had undertaken to compensate local authorities for the loss of income they suffered as a result of these changes. Compensation would be provided by means of a grant payment to authorities under section 31 of the Local Government Act 2003.

This grant was calculated based on information provided by billing authorities and on the level of top-up provided by the Government. Using Government guidance and funding formula at the time of setting the budget we built £575k of section 31 grant from the Government in respect of our top-up share.

At the end of April MHCLG wrote to Authorities setting out the annual value of Section 31 Business Rate Relief grants for the year. This quoted a figure of £302k, some £273k less than our calculation. We immediately queried this with MHCLG assuming it was an error on their part. Having chased this a number of times we have now obtained a response explaining that our method of calculation was incorrect and that the correct calculation should have deducted the element of Revenue Support Grant that was rolled into the top up funding (in our case £8.4m) before applying the relevant indexation. Giving a revised calculation as follows:-

£17,656,850 (Top up) - £8,386,086 (RSG rolled in)=£9,270,764x16/491=£302,102.

We have queried this with Lancashire County Council, Blackburn with Darwen Council and Blackpool Council, all of whom are top-up authorities in the pilot pool, all of whom have applied the same formula and all of whom, according to MHCLG, have overstated their section 31 grant. None of the authorities were aware of any guidance explaining the revised formula for pilot pools, nor was Ribble Valley, as the lead authority. We have queried where and when this additional guidance was made available and at the time of writing the report are awaiting an answer. Until such time as we receive a response to this query we are unable to say what the next steps will be, but a worst case scenario shows the Authority suffering a funding reduction of £0.3m.

RESOLVED: - That the Committee:

- i) note the final position re increased cost associated with changes to employer pension contributions, and the additional grant associated with this;
- ii) note the position in respect of Section 31 Grant for Business Rates Relief and endorse the action taken to date;
- iii) note the potential overall impact on the 2019/20 revenue budget and the potential

- need to drawdown an additional £94k of reserves;
- iv) approve a virement to action these changes, subject to the outcome of discussions relating to the Section 31 Grant re Business Rates Relief.

43/18 EFFICIENCY PLAN 2019/20

The efficiency plan updated that initially approved in 2016/17 as part of the four year funding settlement, which had been updated on an annual basis thereafter. The update was based on the approved 2019/20 budget.

Included within the update were revised savings figures, showing total savings of over £20m being delivered since April 2011. With further savings of £1.2m already identified. As set out in the budget report the Authority was faced with funding shortfalls in future years. Savings opportunities would continue to be identified and collaborative opportunities explored to deliver savings in order to contribute to this position, however the ongoing use of reserves would remain a key component of our Medium Term Financial Strategy.

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

RESOLVED: - That the Committee noted and endorsed the Efficiency Plan.

44/18 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 25 September 2019 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 27 November 2019 and 25 March 2020 and agreed for 20 May 2020.

45/18 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.

46/18 SUB-COMMITTEE - CONTRACT VARIATIONS

(Paragraph 3)

RESOLVED: - That the Committee approved the recommended contract variation and that a separate meeting of the Sub-Committee would take place to agree how it would operate.

47/18 HIGH VALUE PROCUREMENT PROJECTS

(Paragraph 3)

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

RESOLVED: That the Committee noted the report.

48/18 URGENT BUSINESS (PART 2) - PRESTON FIRE STATION PROJECT

(Paragraph 3)

RESOLVED: - That the Committee approved the recommendation made by the Director of Corporate Services.

LFRS HQ
Fulwood

M NOLAN
Clerk to CFA

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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES SUB-COMMITTEE (CONTRACT VARIATIONS)

Thursday, 29 August 2019, at 10.00 am in the Lightfoot 1, Service Headquarters.

MINUTES

PRESENT:

Councillors

F De Molfetta
H Khan
D O'Toole
D Stansfield

Officers

K Mattinson, Director of Corporate Services (LFRS)
I Riding, Head of Property (LFRS)
M Nolan, Clerk and Monitoring Officer to the Authority
D Brooks, Principal Member Services Officer (LFRS)

In attendance

Gammack, IKG Consulting

1/19 APPOINTMENT OF CHAIRMAN

The Clerk invited nominations for the appointment of Chairman and County Councillor Frank De Molfetta was proposed and seconded. No further nominations were received.

RESOLVED: - That County Councillor Frank De Molfetta be appointed Chairman of the Resources Sub-Committee (Contract Variations).

2/19 APPOINTMENT OF VICE-CHAIRMAN

The Chairman invited nominations for the appointment of Vice-Chairman and County Councillor David O'Toole was proposed and seconded. No further nominations were received.

RESOLVED: - That County Councillor David O'Toole be appointed Vice-Chairman of the Resources Sub-Committee (Contract Variations).

3/19 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Tony Martin.

4/19 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

5/19 BACKGROUND TO CONSTRUCTION PROJECTS

The Director of Corporate Services advised Members that at the Resources Committee meeting held in March 2019 (resolution 24/18 refers) it was agreed to establish a politically balanced Resources Sub-Committee of 5 Members to scrutinise contract variations on building projects. This report provided background information regarding construction procurement, processes, project risks and the principal reasons for contract variations.

The Director of Corporate Services introduced Mr I Gammack, IKG Consulting who presented the report. Explanations were provided for the “life cycle” of a “typical” construction project. Where monetary values were stated, they generally referred to a large Fire Station Project in scale and value.

Members discussed the various stages which were: A - Viability; B – Initial design development; C – Detailed design and preparation of contract price and D – Construction. It was noted that project variations could result from any change to the agreed scope and they generally fell into 4 categories: i) Errors; ii) Design Development; iii) Risks; and iv) Changes.

In response to a question from the Chairman, Mr Gammack advised that provisional sums frequently changed (such as those identified for utilities) given it was difficult to obtain a fixed price for these for longer than 3 months. In addition, circumstances could change during the build time therefore, a provisional sum was put into the contract and sometimes these changes were outside our control. In addition, there could be delays waiting for services to be provided; which was a risk as delays came at a cost.

In response to a comment by County Councillor O’Toole, Mr Gammack confirmed that the Building Contract enshrined rates, overheads and profits. The contractor was entitled to add these costs which was an industry standard. It was the role of the contract administrator to ensure that any changes, including prices were in line with the agreed contract.

The Director of Corporate Services confirmed that where change requests were made (to accommodate new equipment or changing requirements), these would always be assessed for suitability and cost before a decision was made.

Mr Gammack advised that risk was covered in many ways through contract contingencies or budget contingencies; however, any delay came at a cost. He provided an example of asbestos removal which cost considerably more than the initial survey indicated and this delayed the project over 20 weeks. It was noted that the contract administrator had a duty to assess critical path delays and consider ways to mitigate the additional costs ie: change the specification.

Members noted that there were a number of tools and methods which could and should be used by Employers to mitigate the effects of and manage risk and change, these included:

- Contingency Allowances;
- Identification and Refinement of Provisional Sums (Surveys);
- Careful Selection of Contract Forms and Procurement Routes;
- Early design Fix and No changes;
- Speed of Decision Making.

RESOLVED:- The Sub-Committee noted and endorsed the report.

6/19 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.

7/19 CONTRACT VARIATIONS PROCESSES

(Paragraph 3)

Further to the earlier report on the agenda which set out some of the challenges in letting and managing contracts for construction projects the Director of Corporate Services presented this report which set out some of the issues to consider in establishing further governance processes.

Following consideration of the current rules relating to the monitoring of contract variations, which were set out in the approved financial regulations, Members agreed to an individual (not cumulative) variation threshold of £25k and that the Chairman and Vice-Chairman of this Sub-Committee (the current CFA Chairman and Leader of the Opposition) be delegated authority to approve any contract variations over the threshold which would be reported to the subsequent Resources Committee thereby negating the need for further meetings of this Sub-Group.

RESOLVED:- That:

- i) an individual (not cumulative) variation threshold of £25k be approved;
- ii) the Chairman and Vice-Chairman of this Sub-Committee (the current CFA Chairman and Leader of the Opposition) be delegated authority to approve any contract variations over the £25k threshold, which would be reported to the subsequent Resources Committee; and reappointments be made on an annual basis by the full Authority; and
- iii) this agreed process negated the need for further meetings of this Sub-Group.

M NOLAN
Clerk to CFA

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LANCASHIRE COMBINED FIRE AUTHORITY RESOURCES COMMITTEE

Meeting to be held on 25 September 2019

REVISIONS TO THE STATEMENT OF ACCOUNTS 2018/19 (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 2019.

Recommendation

The Committee is asked note and endorse the revised Statement of Accounts.

Information

The Core Financial Statements for the financial year ended 31 March 2019 were presented to Resources Committee in May. 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 2019;
- 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 core financial statements, 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 External Audit Findings Report is attached as appendix 1.

The main issues within the report were 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 draft accounts have been adjusted to reflect the impact of the McCloud judgement on the pension liabilities. This adjustment, relating to costs associated with both the Fire-

fighter Pensions scheme and the Local Government Pension Scheme, arose following a legal challenge in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015. In December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes, which would lead to an increase in pension scheme liabilities. Initial accounting advice provided by CIPFA was to treat this as a contingent liability, however following the Supreme Court's refusal to allow an appeal the accounting policy adopted by external auditors required the additional liability to be recognised in the accounts. Hence the accounts have been adjusted for this.

It is worth noting that the actual impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

This impacted throughout the accounts changing the core financial statements as well as the detailed notes supporting these (as set out on page 9 of the Audit Findings Report in appendix 1). However it is worth noting that excluding this adjustment there were no other changes to the core financial statements.

The Statement of Accounts was updated to reflect the changes identified during the audit and a revised statement of accounts was approved by the Audit Committee in July, and is attached as appendix 2.

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 2019	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	April-July 2019	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

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The Audit Findings for Lancashire Combined Fire Authority

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Year ended 31 March 2019
23 July 2019



Contents



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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

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority (the Authority) and the preparation of the Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements:

- give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our final accounts audit work was completed on site during June and July 2019. Our findings are summarised on pages 4 to 21.

One adjustment to the primary financial statements has been made by management to include the impact of a national legal case where events occurring in June 2019 altered the Authority's initial accounting treatment. This resulted in a compensating balance sheet classification adjustment of £33.249m in relation to the Authority's Net Pension liability and the Pension Reserve balances. There is no impact to the usable reserves of the Authority as a result of this adjustment.

Other amendments identified relate to minor changes in wording and were adjusted by management.

We have not had to raise any recommendations for management from our audit work.

Our work is substantially complete and there are no matters of which we are currently aware that would require modification of our audit opinion or material changes to the financial statements, subject to the satisfactory resolution of the matters listed on page 4.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified. A draft of the proposed audit opinion is detailed at Appendix C.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Lancashire Combined Fire Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Authority received a positive assessment by the Fire Inspectorate this year and continues to have appropriate arrangements in place to manage its financial position.

We anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 16 and 17

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

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.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report 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 and will be presented to the Audit Committee on 30 July 2019.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 is risk based, and in particular included:

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

We have had to alter our assessment regarding the risk of improper revenue recognition as documented on page 6.

Closedown arrangements

The financial statements were received on time and published in line with the statutory deadline. The financial statements were prepared to a good standard and there is an appropriate quality review process in place. Working papers were available before the start of the audit and were clear to understand. The responses to our audit samples and queries were comprehensive and timely.

Early work was undertaken by officers to review the new accounting standards introduced during 2018/19 for International Financial Reporting Standards (IFRS) 9 and 15.

Conclusion

We have substantially completed our audit of your financial statements and subject to the resolution of the outstanding items set out below, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2019. A draft of the Audit Report is included as Appendix C.

The outstanding items include:

- receipt of the management representation letter;
- review and challenge of the valuer's assumptions and methodology used in valuation of Land and buildings;;
- Engagement Lead final review of the completed audit working papers and resolution any final queries;
- review of the final set of financial statements;
- receipt and review of the assurance letter from the Lancashire County Pension Fund auditor; and
- updating our post-balance sheet review to the date of the audit opinion.

Summary

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 have redetermined materiality. We reported in our Audit Plan that we determined planning materiality to be £1.108m (PY £919k) which equates to 2% of your forecast gross expenditure for the year. We have redetermined materiality to be based on actual gross operating expenditure for the year. We detail in the table below our determination of materiality for Lancashire Combined Fire Authority.

	Amount (£)	Factors considered
Materiality for the financial statements	1,046,000	• This equates to 2% of your gross operating expenditure for the year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	784,500	• Assessed to be 75% of financial statements materiality
Trivial matters	52,300	• This equates to 5% of financial statement materiality

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

The revenue cycle includes fraudulent transactions:

Income from room hire, Princes Trust, other miscellaneous sources including colleges

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

We have revisited our assessment regarding this risk reported in the audit plan. Having considered the risk factors set out in ISA240, and having analysed the nature of the revenue streams at the Authority which include room hire, Princes Trust, other miscellaneous sources including colleges, 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; and
- the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable

We have

- evaluated the Authority's accounting policy 29(b) for recognition of miscellaneous and other income for appropriateness;
- gained an understanding of the Authority's system for accounting for miscellaneous and other income.
- agree, on a sample basis amounts recognised as miscellaneous and other income in the financial statements to supporting documentary evidence.

Our audit work has not identified any issues in respect of revenue recognition.

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable 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.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We carried out the following work:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of land and buildings

The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£86.5 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement

We carried out the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register, and
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our audit work confirmed that revaluations were carried out by an appropriate external expert. We are satisfied that the value of land and buildings not revalued during the year was not materially different to their reported value at 31 March 2019.

Our audit work on the valuation of property, plant and equipment has not identified any significant issues that we need to bring to members attention.

Our work on the estimation process is in the judgements and estimates section on page 10.

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Significant findings – audit risks

4

Page 30

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£801 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We carried out the following work:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- completed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- sought assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements, and
- obtained assurances from PWC in respect of valuation of the firefighters pension fund liability valuation by GAD.

We are awaiting the assurance from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We draw your attention to page 9 regarding a national issue relevant to all local authorities to consider and assess how the result of the McCloud case has impacted upon the valuation of the pension fund net liability. The McCloud /Sergeant cases have a direct impact on the Firefighters Pension Scheme and are a significant development for the Fire and Rescue sector.

Our audit work has not identified any other issues in respect of valuation of net pension liabilities

Significant findings – other issues

5

Issue

Potential impact of the McCloud Judgement

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

The Government applied to the Supreme Court for permission to appeal this ruling, but the permission to appeal was unsuccessful. We understand the case will now be remitted back to employment tribunal for remedy.

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The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for the firefighters' pension funds, but also for other pension schemes where they have implemented transitional arrangements in changing benefits such as the local government Pension Scheme and Police Pension Scheme.

Commentary

Management requested an updated estimate from the scheme actuary of the potential impact of the McCloud ruling. This has now been received from both Mercers and Government Actuarial Department (GAD) (Officers). The updated assessments indicate increases in past service costs of £33.404m and actuarial gains by £0.135m and therefore an increase the net liability of £33.269m.

	LGPS	Firefighters pension Pension	Total
	£m	£m	£m
Increase in past service costs	- 0.434	- 32.970	- 33.404
Increase in actuarial gains	<u>0.135</u>	<u>-</u>	<u>0.135</u>
Increase in net pension liability	<u>- 0.299</u>	<u>- 32.970</u>	<u>- 33.269</u>

The accounts are being amended and once complete we will review the analysis performed by the actuaries, and consider whether the approach that has been taken to arrive at this estimate is reasonable.

North West Fire Control Ltd (NWFC)

Management have also assessed the impact of the McCloud judgement on the North West Fire Control Ltd for purposes of consolidation. It has been determined that the increase in net pension liability for NWFC would be less than 1% of its net liability which amounts to £23k . The Authority's share of the increase would be trivial to the financial statements. Management have therefore not included in the financial statements the transactions relating to McCloud judgement for NWFC.

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Other Land and Buildings: £57.641m PFI Assets: Land and Buildings: £28.889m Total Land and Building: £86.530m	<p>Other land and buildings comprises £86.361m of specialised assets such as fire stations and fire training schools, which are valued at depreciated replacement cost (DRC) reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£0.169m) are not specialised in nature and are valued at existing use value (EUV) at year end.</p> <p>The Authority has engaged Tim Ellams registered external valuer to complete the valuation of properties as at 31 03 2019 on a cyclical basis. 20% of total assets were fully revalued and 80% was revalued using a desktop valuation exercise during 2018/19. The valuation of properties valued by the valuer and the desktop valuation has resulted in a net increase of £4,539m.</p> <p>The total year end valuation of Other land and buildings was £86.530m, a net increase of £3.093m from 2017/18.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, your external valuer; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the overall increase in the estimate; and the adequacy of the disclosure of the estimate in the financial statements. <p>There are no issues to raise from the work carried out on the estimate.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																												
Page 33	<p>Net pension liability – £845.4m</p> <p>The Authority’s net pension liability at 31 March 2019 is £878.683m (PY £814.3m) comprising the Local Government Pension Scheme and unfunded defined benefit pension scheme obligations. Liability figures are higher than the previous year mainly due to a general fall in corporate bond yields, the increase in the market expectations of inflation and the impact of the McCloud judgement. Full actuarial valuations are undertaken every three years.</p> <p>The Authority uses Mercers to provide actuarial valuations of the Authority’s assets and liabilities derived from the Local Government Pension Scheme. The latest full actuarial valuation by Mercers was completed as at 31 March 2016.</p> <p>The Authority uses GAD to provide actuarial valuations of the Authority’s liabilities derived from the Firefighters’ Pension Schemes. Full actuarial valuations are required every three years. The latest full actuarial valuation was completed by GAD as at 31 March 2016.</p> <p>Both actuaries use a roll forward approach in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £19.9m net actuarial loss during 2018/19.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management’s experts, Mercers and GAD; the completeness and accuracy of the underlying information used to determine the estimates; the reasonableness of the Authority’s share of the LGPS assets; the reasonableness of the overall increase in the estimates; the adequacy of the disclosure of the estimates in the financial statements. <p>External auditors are provided with assurance in the form of an auditors expert report from PwC to assess the assumptions made by the Actuaries, the table below sets out the key assumptions.</p>	●																												
	<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value - LGPS</th> <th>Actuary Value - FFPS</th> <th>Within PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.45%</td> <td>Yes</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.35%</td> <td>Yes</td> <td style="text-align: center;">●</td> </tr> <tr> <td>CP inflation</td> <td>2.2%</td> <td>2.35%</td> <td>Yes</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males over 65</td> <td>22.8 years</td> <td>22.0 years</td> <td>Yes</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females over 65</td> <td>25.5 years</td> <td>22.0 years</td> <td>Yes</td> <td style="text-align: center;">●</td> </tr> </tbody> </table> <p>Other than the issue already noted on page 9 regarding the McCloud judgement, there are no further issues to note from the work carried out.</p>	Assumption	Actuary Value - LGPS	Actuary Value - FFPS	Within PwC range	Assessment	Discount rate	2.4%	2.45%	Yes	●	Pension increase rate	2.3%	2.35%	Yes	●	CP inflation	2.2%	2.35%	Yes	●	Life expectancy – Males over 65	22.8 years	22.0 years	Yes	●	Life expectancy – Females over 65	25.5 years	22.0 years	Yes	●
Assumption	Actuary Value - LGPS	Actuary Value - FFPS	Within PwC range	Assessment																											
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Pension increase rate	2.3%	2.35%	Yes	●																											
CP inflation	2.2%	2.35%	Yes	●																											
Life expectancy – Males over 65	22.8 years	22.0 years	Yes	●																											
Life expectancy – Females over 65	25.5 years	22.0 years	Yes	●																											

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> The implementation of new accounting standards IFRS9 and IFRS15 from 1 April 2018 were discussed with officers during 2018/19. The impact of the new accounting standards have been disclosed within the financial statements. There has not been a material impact to the financial statements as a result of the implementation of IFRS9 and IFRS15, with movements in the classification of financial instruments disclosed within the financial statements. Management provided us with detailed working papers setting out their assumptions and judgements for the implementation of IFRS9 and IFRS15.
2 Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement	<ul style="list-style-type: none"> No such issues were identified
3 Concerns about management's consultations with other accountants on accounting or auditing matters	<ul style="list-style-type: none"> No such issues were identified
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	<ul style="list-style-type: none"> We were reappointed as auditors to the Authority for five years from 2018/19
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	<ul style="list-style-type: none"> No such issues were identified
6 Other matters that are significant to the oversight of the financial reporting process	<ul style="list-style-type: none"> No such issues were identified

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management’s assessment process

The Authority has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

Auditor commentary

- The Authority’s use of the going the concern basis of accounting is appropriate.
- The Authority has provided us with its working paper for its assessment of going concern.
- The disclosure of the going concern basis within the financial statements is satisfactory.

Work performed

We discussed the financial standing of the Authority with the Director of Corporate Services and the Head of Finance and reviewed management’s assessment of going concern and the assumptions and supporting information.

Auditor commentary

No material uncertainty identified.

The Authority has determined that it is difficult to anticipate what funding will look like beyond the existing settlement having considered important issues like the economic uncertainty surrounding Brexit, the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates. Consequently, for the purpose of its medium term financial strategy the Authority has assumed that funding is frozen in future years. Based on this the Authority will be faced with a funding gap in future years, the extent of which depends on future Council tax decisions.

The Authority has put in place plans to use its available reserves to fill this funding gap in future years. The latest medium term financial strategy, identified at the time of setting the 2019/20 budget, shows approximately £5m of reserves being used by March 2024.

In 2018/19 the Authority’s General Fund balance has increased by £0.5m from £7.9m to £8.4m and its earmarked reserves has increased from £7.9m to £8m. The General Fund balance is within the target level identified by the Treasurer (a minimum of £3.2m and a maximum of £10.0m) which will provide capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified. The majority of the earmarked reserves will be utilised within the medium term financial strategy, reducing to a level of £6m by March 2024.

Concluding comments

The Authority’s use of going concern basis of accounting is appropriate.

Auditor commentary

- The Authority has adequate reserves to meet its 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.
- Our opinion is unmodified in respect of the going concern conclusion.

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 significant 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 letter of representation has been requested from the Authority. The draft letter of representation is included as an agenda item at the Audit Committee on 30 July 2019.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmation from PWLB for loans and requested from management permission to send confirmation requests to the Authority's bankers and those with whom it placed investments. This permission was granted and requests were sent. All of these requests were returned with positive confirmation.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided. The financial statements were received on time, and published within the statutory deadline. The financial statements were prepared to a good standard with embedded quality review processes in place. Working papers were available at the start of the audit and were detailed, and clear to understand. The responses to our audit samples and queries were comprehensive and timely.

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Other responsibilities under the Code

Issue	Commentary
<p>1 Other information</p>	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect which is detailed in Appendix C.</p>
<p>2 Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <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 other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>There are embedded processes within the Authority to produce and review the Annual Governance Statement.</p> <p>We have nothing to report on these matters.</p>
<p>3 Specified procedures for Whole of Government Accounts</p>	<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"> This work is not required as the Authority does not exceed the threshold of £500m
<p>4 Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2018/19 audit of Authority in the audit opinion, as detailed in Appendix C.</p>

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Value for Money

Background to our VFM approach

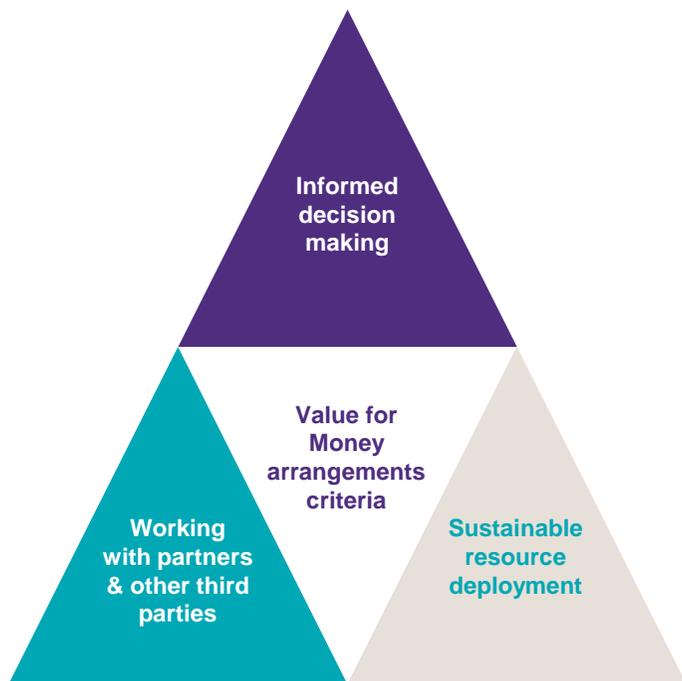
We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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

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Risk assessment

We carried out an initial risk assessment in January 2019 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.

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 updated our review of your arrangements as part of our audit. Our work included reviewing key documents and discussing issues with your officers. Among the documents reviewed was Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Report issued following an inspection of the Service.

The Authority was one of the first 14 services to be inspected by HMICFRS during the first tranche of inspections. Each inspection assesses how effective and efficient the service is, how it protects the public against fires and other emergencies and how it responds to the same. They also assess how well each service looks after the people who work there.

In carrying out inspections of fire and rescue services in England, HMICFRS have regard to the following main questions:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How well does the fire and rescue service look after its people?

The categories of judgement used are: outstanding, good, requires improvement and inadequate. Lancashire Combined Fire Authority was rated as '*Outstanding*' for promoting its values and culture. In all other areas, the Service was rated as '*Good*' with no areas that 'require improvement' in any of the 11 categories that were assessed.

The Authority was the only fire and rescue service to be given an 'outstanding' in any category. It was rated as 'outstanding' for promoting its values and culture, and was rated as 'good' in all other areas, with no areas that 'require improvement'. This was the highest rating of any Service in the first tranche of inspections, with the outcome of the second and third tranche expected in 2019/20

The net budget for 2018/19 was £54.8m, an increase of £0.9m compared to 2017/18 budget of £53.9m. This increase was largely the result of pay awards, partly offset by efficiency savings of £0.8m.

The Authority has a good record of delivering savings, £18.5m of efficiency savings have been made between April 2011 and March 2018. The Authority delivered its planned budget for 2018/19 and delivered £1.1m of efficiencies inclusive of an additional savings target of £0.3m required to deliver an increase in Council Tax within the referendum limit of 3% despite the reduction in government funding by £1m from £25.3m in 3017/18 to £24.3m in 2018/19.

The Authority has adequate reserves. In 2018/19 the Authority's General Fund has increased by £0.5m from £7.9m to £8.4m and its earmarked reserves has increased from £7.9m to £8m. The general fund balance is within the target level identified by the Treasurer (a minimum of £3.2m and a maximum of £10.0m) which will provide capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified. The majority of the earmarked reserves will be utilised within the medium term financial strategy, reducing to a level of £6m by March 2024. The Authority will also have at its disposal capital reserves and receipts amounting to £19m.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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.

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.

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 B.

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 ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement		Balance Sheet		Impact on total net surplus/(deficit)
		DR £'000	CR £'000	DR £'000	CR £'000	£'000
1	Dr Past Service Costs – Overheads Cr Long Term Liabilities - Pension Net Liabilities Being recognition of the impact of McCloud case .	33,404			33,401	£(33,404)
2	Dr Long Term Liabilities - Pension Net Liabilities Cr Actuarial (gains)/losses on pensions assets and liabilities Being recognition of the impact of McCloud case re:actuarial gains/losses		135	135		£135
		33,401	135	135	33,401	33,269
	Overall impact (Reversed out via adjustments between accounting basis and funding basis under regulations)	33,269			33,269	£nil
3	<p>Various main statements and notes in the financial statements have been updated to reflect the impact of the above adjustment . The following are the statements and the notes affected:</p> <ul style="list-style-type: none"> • Narrative Report : Table on page 4 and has been updated. Page 5 has been updated • Movement in Reserves Statement has been updated • Cashflow statement has been • Note 1, Income, Expense, Gains and Losses • Note 13, Other Long Term Liabilities • Note 15, Net Liability Related to Local Government and Firefighters' Pensions Schemes • Note 18, Unusable Reserves and Pensions Reserve • Note 19, Contingent liabilities • Note 23, Adjust net surplus/(deficit) on the provision of services for non cash movements • Note 26, Assumptions made about the future and other major sources of estimation and uncertainty • Note 28, Expenditure and Income Analysed by Nature 					

Audit Adjustments

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	Action required	Adjusted?
Note 1: Expenditure Funding Analysis	The figure for deficit on the provision of services (£13,203k) did not agree to figure on CIES (£12,365K).	Note 1: Expenditure Funding Analysis been amended to correct the error.	✓
Note 6: Property, Plant and Equipment.	There is an unusual reclassification of £869k of PFI assets (land and buildings) to Other Land and Buildings.	An explanatory note has been added at the bottom of the table in note 6. The amount relates to an adjustment to balance of land and buildings carried forward from 2017/18 which should have been classified as Other Land & Buildings.	✓
Note 8: Income, Expense, Gains and Losses	Interest payable on financial liabilities was disclosed as one figure of £1,479k	Note 8, Income, Expense, Gains and Losses has been amended to split the interest payable relating to: <ul style="list-style-type: none"> • PFI (£1,380K); • borrowing (£89k); and • Finance leases (£10k) 	✓

Fees

We confirm below our final fees charged for the audit

Audit Fees

	Final fee 2017/18 (£)	Proposed fee 2018/19 (£)	Final fee 2018/19 (£)
Authority's accounts audit	30,739	23,669	23,669
Additional fee: McCloud case adjustment *	-	-	2,000
Total audit fees (excluding VAT)	£30,739	£23,669	£25,669

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* Due to additional time required to review the impact of the McCloud judgement case an additional fee of £2,000 has been included as part of the 2018/19 audit fee. We have discussed the fee adjustment with management and the amount will be subject to approval by Public Sector Audit Appointments Ltd.

DRAFT 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 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the Firefighters Pension Fund Notes. The notes to the financial statements include the Expenditure Fund Analysis (EFA), Notes to the Core Statements and Policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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 Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Services 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 Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the 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 audit 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 Annual Governance Statement 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 Annual Governance Statement 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 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

DRAFT Audit opinion

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

- we issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Corporate Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts 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 Director of Corporate Services. The Director of Corporate Services 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Services 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 Director of Corporate Services 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 there is an intention by government that the services provided by the Authority will no longer be provided. The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 Lancashire Combined Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

DRAFT Audit opinion

Use of our report

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.

[Signature]

Robin J Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool

xx May 2019

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STATEMENT OF ACCOUNTS

2018/19

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2018/19

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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 2018/19
- 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 2019 (referred to as 2018/19). 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 2018/19. 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 2018/19, 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 Statement - 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 2019, 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.

The summer of 2018 brought an unprecedented period of dry weather that lasted for many weeks, led to a water shortage and exceptionally dry conditions in moorland areas of North West England, resulting in the service facing its largest moorland fire in living memory, at Winter Hill. The fire burnt above and below ground for 41 days and covered over 18 square miles. It was managed and coordinated using the resources from many different agencies and a national deployment of fire crews from around England and Wales. At its peak there were over 70 fire appliances and specialist vehicles fighting this fire. The total cost of the incident was £1.2m, of which £1.1m was recovered from the Government.

2018/19 also saw the first independent inspection of the Fire Service for several years, with Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertaking an inspection of Lancashire in July, whilst the Winter Hill fire was still burning. The inspection assesses how effectively and efficiently the Service prevents, protects the public against and responds to fires, as well as how well the Service looks after staff. The outcome of the inspection was that Lancashire was the only fire and rescue service to be given an 'outstanding' in any category. The Service was in the first tranche of fire and rescue services to be inspected, was rated as 'outstanding' for promoting its values and culture, and was rated as 'good' in all other areas, with no areas that 'require improvement'. This was the highest rating of any Service in the first tranche of inspections, with the outcome of the second and third tranche expected in 2019/20.

The Authority recruited 66 new whole-time firefighters and 82 new on call firefighters, of which 15% were female and 5% were from a BME background.

We have continued to invest in providing the best operational and Personal Protective Equipment, introducing new technical rescue jackets, and new helmets and gloves and battery operated hand tools, as part of a trial.

Our leadership and management training has continued across the organisation, focusing on developing a strong organisational culture based on clear values and leadership.

We have continued to develop collaborative opportunities. The joint Fire and Ambulance station at Lancaster was completed in November, and we are continuing to review further opportunities for site sharing with both NWAS and Lancashire Constabulary. We continue to support Lancashire Constabulary by use of a shared drone, as well as assisting in missing persons searches, and

2018/19 activity has increased by 8% to just over 17,000 incidents, although the number of accidental dwelling fires decreased by 14%. Deliberate dwelling fires saw a 14% increase to 124. A total of 756 gaining entry incidents were undertaken in 2018/19, an increase of 19% over the previous year.

The 2018/19 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.

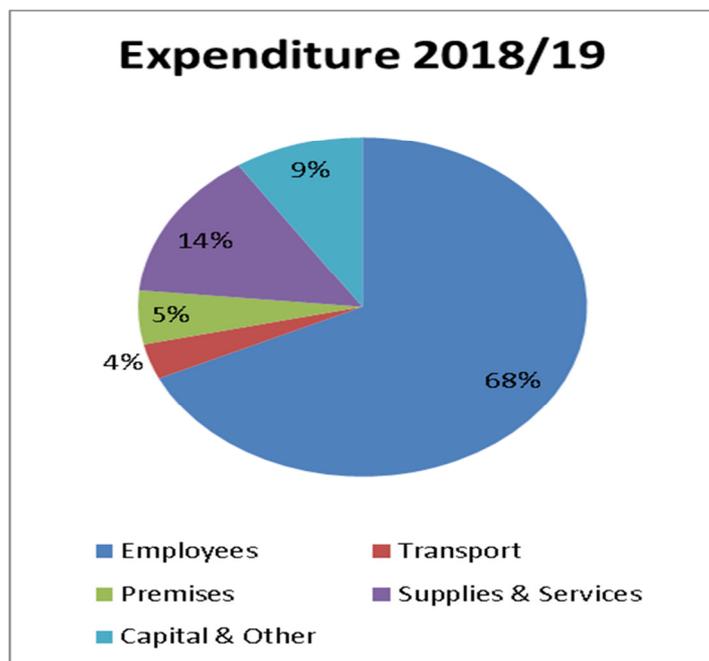
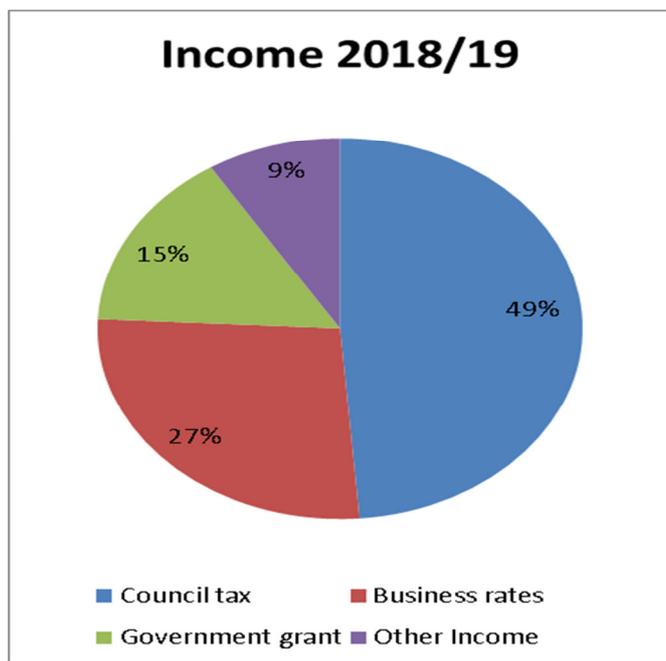
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- 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

2018/19 was the third 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 £1.0m to £24.3m. The Authority had to identify efficiencies of £1.1m in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £54.8m, an increase of less than 2%, and a council tax of £67.46, which is just under £1.30 per week. This represented a 2.99% increase in council tax, in line with the referendum limit. 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 net revenue position shows an overall underspend of £0.5m, however of this £0.2m relates to the redistribution of unused National Business Rates (NNDR) Levy fund (which the Government has previously held back to fund business rates safety net grant payments) and a further £0.2m in respect of Business Rates Reliefs for 2017/18. Had this not been received the overall budget position would have been a marginal underspend of £0.1m.

The following charts show a breakdown of where the monies we received come from and how we spent this:



Lancashire Combined Fire Authority
Statement of Accounts 2018/19

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

Spend/Income type	£000		(Under)/ over spend
	Budget	Spend	
Employees: pay costs	40,268	39,983	(285)
Other employee related costs	1,136	1,036	(100)
Premises	3,004	3,076	72
Transport	2,002	2,027	25
Supplies & services	8,195	8,504	309
Capital financing costs & other	5,330	5,630	300
Total Expenditure	59,935	60,256	321
Other Income	(5,165)	(5,431)	(266)
Budget requirement	54,770	54,825	55
Funded by:			
Council tax	(29,567)	(29,567)	-
Business rates	(15,940)	(16,430)	(490)
Government grant	(9,263)	(9,263)	0
	(54,770)	(55,260)	(490)
Net Overspend	-	(435)	(435)

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	(0.435)
Earmarked reserves utilised/provided for in year	0.102
Accounting for pensions under IAS19	44.632
Revenue Contributions to Capital Outlay	(2.030)
Adjustments between accounting basis and funding basis under regulations	3.880
Deficit on the provision of services	46.149
Surplus on revaluation of non-current assets	(4.539)
Actuarial loss on pensions assets and liabilities	19.714
Total Comprehensive Income and Expenditure	61.324
Recognise 25% share in North West FireControl Limited	(0.210)
Total Comprehensive Income and Expenditure	61.114

The Authority (excluding North West FireControl) transferred £0.3m to the general fund balance and as a result of this the general fund balance now stands at £8.2m, still within the target level identified by the Treasurer (a minimum of £3.2m 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 2019/20 budget, shows approx. £5m of reserves being used by March 2024 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 £6m and £3m respectively by March 2024. 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 £2.4m, as set out below:-

	Spend
Vehicles	
<ul style="list-style-type: none"> Pumping Appliances – first stage payment for 7 Pumping Appliances from the 2018/19 capital programme 	£0.4m
<ul style="list-style-type: none"> Operational Support Vehicles – purchase of Aerial Ladder Platform plus various support vehicles, such as vans and cars 	£0.8m
Operational Equipment	
<ul style="list-style-type: none"> Purchase of Technical Rescue Jackets and purchase of equipment for reserve appliances 	£0.4m
Buildings	
<ul style="list-style-type: none"> Training Centre site replacement welfare/ICT porta-cabin 	£0.1m
<ul style="list-style-type: none"> Stage payments relating to the new joint Fire/Ambulance Station project in Lancaster, which is now complete. 	£0.7m
Total	£2.4m

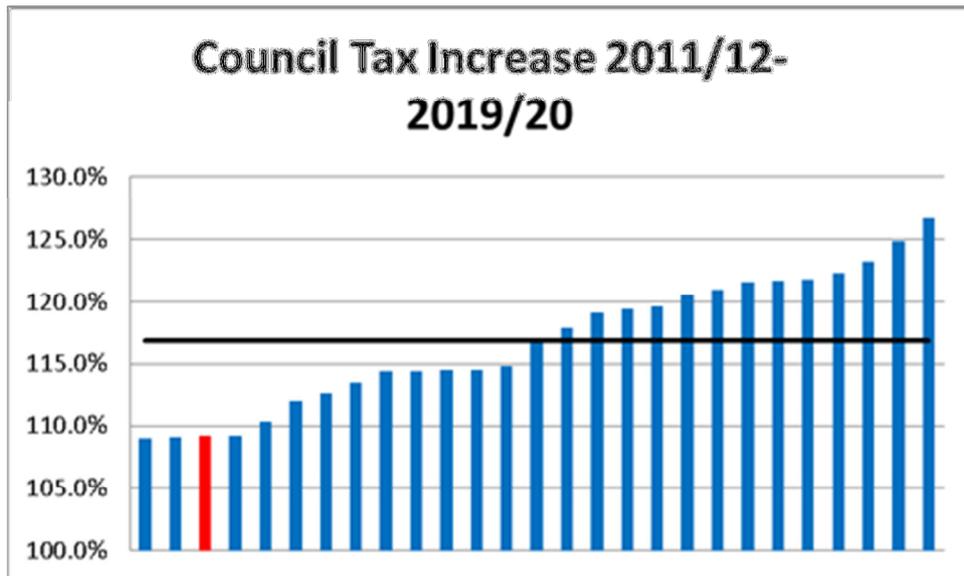
The Balance Sheet shows that the Authority's Total Net Liabilities have increased to £747m. This reflects the Authority's compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government 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 £865m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £119m. The pension liability includes estimated costs in relation to the McCloud judgement, further details can be found in note 19.

Long term assets have increased in value to £102m, reflecting the expenditure incurred in year and the net outcome of revaluations and sums invested for over 12 months.

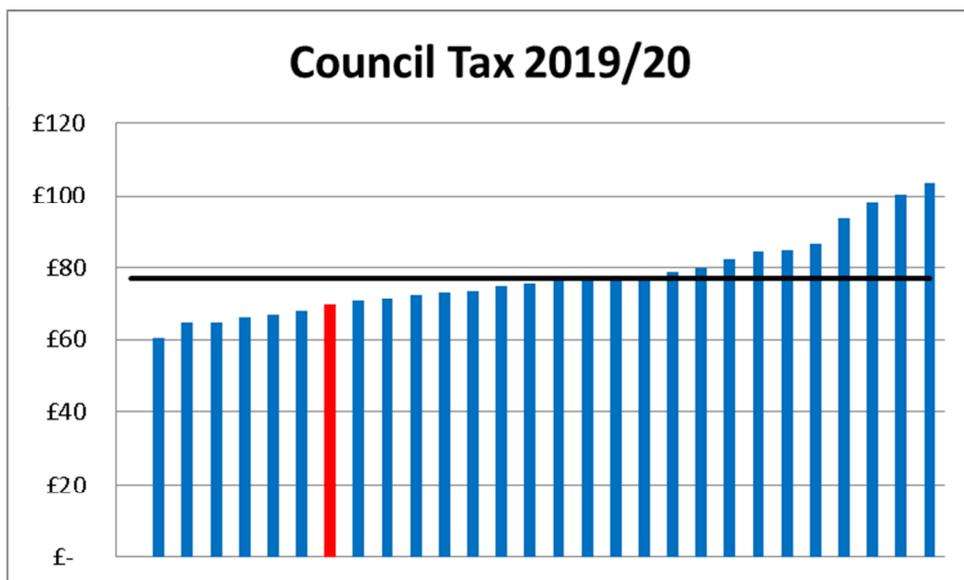
Future Financial Plans

Next year is the last of the four year funding settlement. This shows further Government funding cuts of £0.5m. The Authority has plans to deliver £1.2m of efficiencies in 2019/20, but these are more than offset by increased costs associated with pay awards, the full extent of which is not known at the present time, increased pension costs, which are partly met by the Government, and the additional costs associated with the increase in Firefighter numbers following the successful recruitment campaigns. Overall these changes result in a revenue budget of £56.5m, however in order to deliver a council tax increase within the referendum limit (3%) an additional, as yet unidentified, savings target of £0.2m was agreed, alongside a drawdown of £0.3m of reserves. Therefore the net revenue budget requirement is £56.1m, an increase of 2.3%, resulting in a council tax of £69.48, 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 9.20% since 2010/11, the third lowest of any Authority and considerably lower than the average increase of 16.8%:-



Our 2019/20 council tax of £69.48 is still below the national average of £77.04, and is the seventh lowest of any Fire Authority



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 £27m over the next five years.

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:-

- Reductions in funding levels over and above those forecast;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pension 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

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 2018/19 (the Code). The code included the following change:

- The addition of the Reconciliation of liabilities arising from financing activities note (Note 25)

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 2019 and up to the date of approval of the 2018/19 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 2019/20 was approved this year and can be found on our website at https://vault.ecloud.co.uk/lancsfire/2019/05/2019-2020_Annual_Service_Plan_ASP.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;
- A Corporate Programme Board provides oversight across 4 areas:-
 - Business Process Improvement Programme
 - Workforce Development Programme
 - Service Delivery Change Programme
 - Capital Projects 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 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.
- A revised Annual Service Plan has been agreed for 2019/20, 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 exists 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 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.
- Performance appraisal incorporating values is undertaken throughout 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 2018/19 internal audit plan the auditors undertook various reviews and gave the overall opinion that they can *"provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control."*
- 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 2017/18:
 - Financial statements – *"We gave an unqualified opinion on the Authority's financial statements"*
 - Value for money conclusion – *"We were satisfied that in all significant respects the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year"*
- HMICFRS undertook its first inspection of the Service. Overall the Service was rated as Good, in all categories other than 'Promoting the right values and culture' in which it was rated outstanding. This was the highest overall rating of any Service in the first tranche of inspections, and the only outstanding rating. *"Overall, we commend Lancashire Fire and Rescue Service for its performance. We are confident it is well equipped for this to continue."* and *"It provides an effective service"* and *"It provides an efficient and affordable service by making good use of its resources"*

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
Complete review of Scheme of Delegation	Review complete and agreed at Audit Committee in June.	Complete	Clerk
Complete review of staff recognition	Staff were consulted on recognition in the staff survey (May 2018) and the results are informing the recommendations. In-line with those results, a low-key recognition initiative was implemented in December 2018 where staff were asked to nominate 'star' colleagues who live our values. As a result, six members of staff (one from each area of the county) were presented with an LFRS Star Award. The initiative has been evaluated with a view to developing as part of the wider staff recognition programme.	Complete	Head of Corporate Comms
Create a new Intranet, incorporating social networking to connect staff across the service	The new intranet went live in April 2019. Staff were consulted on the name, design and content in the staff survey (May 2018) and via staff and intranet focus groups. Content authors in all departments have been identified and trained to use the site. This includes a social networking element for staff.	Completed in April 2019	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, are listed below:

- continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning
- performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation

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

Signed:

County Councillor F
De Molfetta, Chairman,
Lancashire Combined Fire
Authority
29 May 2019

J Johnston,
Chief Fire Officer,
Lancashire Fire and Rescue
Service
28 May 2019

K Mattinson CPFA,
Treasurer,
Lancashire Combined Fire
Authority
28 May 2019

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 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the Firefighters Pension Fund Notes. The notes to the financial statements include the Expenditure and Funding Analysis (EFA), Notes to the Core Statements and Policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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 to the Combined Fire Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer to the Combined Fire Authority 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 to the Combined Fire Authority is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the 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 audit 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 Annual Governance Statement 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 Annual Governance Statement 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 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts 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 to the Combined Fire Authority. The Treasurer to the Combined Fire Authority 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer to the Combined Fire Authority 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 to the Combined Fire Authority 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 Lancashire Combined Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

Robin Baker

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool
30 July 2019

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 secure 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.
- To 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 2019.

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
30 July 2019

Nikki Hennessy
Chair of Audit Committee
30 July 2019

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

		2018/19		2017/18	
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income
	£000	£000	£000	£000	£000
Continuing operations:					
1 Service Delivery	30,979	(3,306)	27,673	29,581	(2,173)
1 Strategy and Planning	8,196	(516)	7,680	8,084	(618)
1 People and Development	1,604	-	1,604	1,303	-
1 Corporate Services	4,272	(60)	4,212	4,224	(59)
1 Fire-fighters Pensions	1,242	-	1,242	1,138	-
1 Overheads	39,427	(1,784)	37,643	6,436	(1,790)
1 Net Cost of Services	85,720	(5,666)	80,055	50,766	(4,640)
Loss on disposal of non current assets			(68)		(13)
Financing & investment income & expenditure					
8 Interest payable and similar charges			1,479		1,576
15 Pensions interest cost and expected return on pensions assets			20,276		21,005
8 Interest receivable and similar Income			(358)		(267)
Taxation and non-specific grant income					
Taxation on NW FireControl			1		1
Council tax			(29,440)		(28,233)
Revenue Support Grant			(9,262)		(10,659)
Non-domestic rates redistribution			(15,405)		(14,605)
Capital grant income			(563)		-
Business rates S31 grant			(946)		(511)
Deficit/(Surplus) on the provision of services			45,769		14,421
(Surplus)/Deficit on revaluation of non-current assets			(4,539)		(5,167)
18 Actuarial (gains)/losses on pensions assets and liabilities			19,884		(10,730)
Other comprehensive income & expenditure			15,345		(15,896)
Total Comprehensive Income and Expenditure			61,114		(1,476)

MOVEMENT IN RESERVES STATEMENT 2018/19

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 2018 carried forwards	7,899	7,884	15,783	17,745	121	1,582	35,230	(720,870)	(685,640)
Movement in reserves during 2018/19									
Surplus/(Deficit) on provision of services	(45,769)	-	(45,769)	-	-	-	(45,769)	-	(45,769)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(15,345)	(15,345)
Total comprehensive income and expenditure	(45,769)	-	(45,769)	-	-	-	(45,769)	(15,345)	(61,114)
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,268	-	4,268	-	-	-	4,268	(4,268)	-
Amortisation of intangible assets	134	-	134	-	-	-	134	(134)	-
Disposal of assets	(68)	-	(68)	-	-	68	-	-	-
Capital grants unapplied	(484)	-	(484)	-	484	-	-	-	-
Provision for the repayment of debt	(337)	-	(337)	-	-	-	(337)	337	-
Capital expenditure charged against General Fund Balance	(2,030)	-	(2,030)	-	-	-	(2,030)	2,030	-
Amount by which the Code and the statutory pension costs differ	44,741	-	44,741	-	-	-	44,741	(44,741)	-
Amount by which the Code and the statutory collection fund income differ	207	-	207	-	-	-	207	(207)	-
	46,433	-	46,433	-	484	68	46,984	(46,984)	-
Net increase/decrease before transfers to earmarked reserves	664	-	664	-	484	68	1,216	(62,329)	(61,114)
Transfers (to)/from earmarked reserves	(164)	136	(28)	-	-	-	(28)	28	-
Transfers (to)/from capital funding reserve	-	-	-	(352)	-	-	(352)	352	-
Transfers (to)/from accumulated absences adjustment account	(49)	-	(49)	-	-	-	(49)	49	-
Net tfr (to)/from earmarked reserves	(213)	136	(77)	(352)	-	-	(429)	429	-
Increase/(Decrease) in the year	451	136	587	(352)	484	68	787	(61,900)	(61,114)
Balance at 31 March 2019 carried forwards	8,350	8,020	16,370	17,393	605	1,649	36,017	(782,770)	(746,754)

MOVEMENT IN RESERVES STATEMENT 2017/18

	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	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)

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 2019 £000	At 31 March 2018 £000
	Long Term Assets		
6	Property, Plant & Equipment	96,700	93,794
7	Intangible Assets	343	472
8	Long-Term Investments	5,000	5,000
		<u>102,043</u>	<u>99,266</u>
	Current Assets		
	Inventories	239	228
8	Short Term Investments	15,000	-
9	Short Term Debtors	9,737	10,760
10	Cash & Cash Equivalents	14,841	28,768
		<u>39,817</u>	<u>39,757</u>
	Current Liabilities		
8	Other Short Term Liabilities	(384)	(329)
11	Short Term Creditors	(6,265)	(6,998)
		<u>(6,649)</u>	<u>(7,327)</u>
	Long Term Liabilities		
12	Provisions	(1,282)	(1,084)
8	Long Term Borrowing	(2,000)	(2,000)
13	Other Long Term Liabilities	(878,683)	(814,251)
		<u>(881,965)</u>	<u>(817,336)</u>
	Net Liabilities	<u>(746,754)</u>	<u>(685,640)</u>
16	Revenue Reserves	(16,370)	(15,784)
16	Capital Funding Reserve	(17,393)	(17,745)
16	Capital Grants Unapplied Account	(605)	(121)
16	Usable Capital Receipts Reserve	(1,649)	(1,582)
16	Usable Reserves:	<u>(36,017)</u>	<u>(35,231)</u>
18	Revaluation Reserve	(43,925)	(40,862)
18	Capital Adjustment Account	(38,461)	(38,641)
13,15&18	Pension Reserve	864,889	800,264
18	Collection Fund Adjustment Account	(496)	(704)
18	Accumulated Absences Adjustment Account	764	813
18	Unusable Reserves:	<u>782,771</u>	<u>720,871</u>
	Total Reserves	<u><u>746,754</u></u>	<u><u>685,640</u></u>

These Financial Statements replace the unaudited financial statements authorised by the Treasurer on 31 May 2019.

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 2019 and its income and expenditure for the year then ended.

CASH FLOW STATEMENT

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

Notes	2018/19		2017/18	
	£000	£000	£000	£000
Net (deficit)/surplus on the provision of services		(45,769)		(14,421)
23 Adjustments to net (deficit)/surplus on the provision of services for non-cash movements		49,731		17,569
Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,277		1,455
Net cash flows from Operating Activities		5,238		4,603
<u>Investing activities</u>				
6&7 Purchase of property plant and equipment & other capital spend	(2,558)		(4,879)	
(Increase)/Decrease in short term deposits	(15,000)		5,000	
24 Receipts from investing activities	181		99	
Net cash flows from investing activities	(17,377)		221	
<u>Financing activities</u>				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(332)		(335)	
Repayment of long term borrowing	-		(3,514)	
24 Payments for financing activities	(1,457)		(1,553)	
Net cash flows from financing activities	(1,789)		(5,402)	
Net increase/(decrease) in cash and cash equivalents		(13,928)		(578)
10 Cash and cash equivalents at the beginning of the reporting period		28,769		29,347
10 Cash and cash equivalents at the end of the reporting period		14,841		28,769

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.

2018/19	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	36,278	109	36,387	(8,715)	27,673
Strategy and Planning	8,342	-	8,342	(662)	7,680
People and Development	1,396	-	1,396	209	1,604
Corporate Services	4,127	-	4,127	85	4,212
Firefighters Pensions	1,242	-	1,242	-	1,242
Overheads	3,401	(7)	3,394	34,249	37,643
Net cost of Services	54,786	102	54,888	25,166	80,055
Other income and expenditure	(55,221)	-	(55,221)	20,936	(34,285)
Surplus on provision of services	(435)	102	(333)	46,102	45,769
Opening General Fund balance			(7,899)		
Surplus on provision of services			(333)		
NWFC recognise 25% surplus on provision of services			(117)		
Closing General Fund balance			<u>(8,350)</u>		

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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>		

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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 2018/19	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	109	109	112	(8,717)	(110)	(8,715)
Strategy and Planning	-	-	(13)	(692)	43	(662)
People and Development	-	-	-	189	20	209
Corporate Services	-	-	-	85	-	85
Firefighters Pensions	-	-	-	-	-	-
Overheads	(7)	(7)	1,936	33,600	(1,288)	34,249
Net cost of Services	102	102	2,036	24,466	(1,335)	25,166

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Other income and expenditure	-	-	(68)	20,276	729	20,936
Total	102	102	1,968	44,741	(606)	46,102

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

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 2018/19 Fire Authority costs amounted to £0.274m (2017/18: £0.268m), analysed as follows:

	2018/19 £000	2017/18 £000
Members allowances/expenses	132	123
Statutory officers	97	98
Statutory reports/publications	-	1
Subscriptions	11	11
Others	34	35
	<u>274</u>	<u>268</u>

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,124 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2018/19 No.	2017/18 No.
£75,000 - £89,999	2	-
£70,000 - £74,999	2	2
£65,000 - £69,999	4	4
£60,000 - £64,999	7	6
£55,000 - £59,999	13	10
£50,000 - £54,999	32	19
	<u>60</u>	<u>41</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 2017/18 figures)	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
2018/19					
Chief Fire Officer – Chris Kenny	160,016	5,108	165,124	34,723	199,848
Director of Service Delivery – Justin Johnston	136,014	4,637	140,651	19,450	160,101
Director of Strategy & Planning – David Russel	128,012	1,164	129,177	18,306	147,482
Director of People & Development – Robert Warren	102,410	-	102,410	15,054	117,465
Director of Corporate Services – Keith Mattinson	102,410	-	102,410	15,054	117,465
	628,863	10,910	639,773	102,588	742,361

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
2017/18					
Chief Fire Officer – Chris Kenny	157,261	4,977	162,238	34,126	196,364
Director of Service Delivery – Justin Johnston	133,672	5,587	139,258	19,115	158,373
Director of Strategy & Planning – David Russel	125,809	4,038	129,847	17,991	147,838
Director of People & Development – Robert Warren	100,647	-	100,647	12,883	113,530
Director of Corporate Services – Keith Mattinson	100,647	9	100,656	12,883	113,539
	618,036	14,611	632,646	96,997	729,644

* The 2017/18 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2017/18 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)	2018/19		2017/18	
	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	-	-	-	-
£20,001 - £40,000	-	-	1	38
£40,001 - £60,000	-	-	-	-
	-	-	1	38

4 External Auditors Fees

In 2018/19, the Fire Authority paid a total of £0.024m to its external auditors, Grant Thornton (2017/18: £0.031m), as follows:

	2018/19 £000	2017/18 £000
Audit fees – Grant Thornton	24	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 2018/19 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 2018/19 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 (£0.402m received from the precepting authority, 2017/18: £0.393m), and council tax (£2.317m received from the precepting authority, 2017/18 £2.221m), the administration of these is strictly defined by a statutory framework.

6 Property, Plant & Equipment

Details on policies can be seen in note 29, Accounting Policies.

Movements during the Year

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

Movements in Property, Plant and Equipment analysed into their different categories for 2018/19 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 2018	50,120	28,620	22,995	4,698	106,433
Additions	770	-	1,865	-	2,635
Disposals	-	-	(784)	-	(784)
Impairment losses recognised in the Revaluation Reserve	(1,480)	(687)	-	-	(2,167)
Impairment losses recognised in the Deficit on the Provision of Services	(33)	-	(432)	-	(465)
Reclassifications	5,567	(869)*	-	(4,698)	-
Revaluations	2,696	1,826	-	-	4,522
As at 31 March 2019	57,641	28,889	23,644	-	110,174
Depreciation and impairments					
At 1 April 2018	-	-	(12,639)	-	(12,639)
Depreciation charge for 2018/19	(1,524)	(660)	(1,619)	-	(3,803)
Disposals	-	-	784	-	784
Revaluations	1,524	660	-	-	2,184
As at 31 March 2019	-	-	(13,474)	-	(13,474)
Balance sheet at 31 March 2019	57,641	28,889	10,170	-	96,700
Balance sheet at 31 March 2018	50,120	28,620	10,356	4,698	93,794
Nature of asset holding					
Owned	57,371	-	9,977	-	67,348
Finance lease	270	-	193	-	463
PFI	-	28,889	-	-	28,889
	57,641	28,889	10,170	-	96,700

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

Carried at historical cost	-	-	10,132	-	10,132
Valued at current value as at:					
31 March 2019	57,641	28,889	-	-	86,530
31 March 2010	-	-	38	-	38
Total cost or valuation	57,641	28,889	10,170	-	96,700

* The reclassification of PFI assets in 2018/19 relates to an adjustment to the balance carried forwards from 2017/18, which should have been classified as Other Land & Buildings.

On 31 March 2019 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 £6.706m (2017/18: net gain of £7.629m).

The comparative figures detailing the movement during 2017/18:

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 2017	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	(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	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

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 2018/19 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.

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	14,518	14,906
Capital investment:		
Property, Plant & Equipment*	2,635	4,638
Intangible assets*	5	-
Sources of Finance:		
Government Grant	-	(505)
Capital Reserves	(352)	(2,416)
Earmarked Reserves	(28)	(224)
Revenue contributions to capital*	(2,068)	(1,493)
MRP	(337)	(388)
Closing Capital Financing Requirement	<u>14,374</u>	<u>14,518</u>
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(337)	(388)
Assets acquired under finance lease	193	-
	<u>(144)</u>	<u>(388)</u>

* Includes NWFC balances

Details of Assets Held

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

	2018/19	2017/18
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 2019 is £2.806m (2017/18: £0.545m).

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	2018/19 £000	2017/18 £000
Cost or valuation		
At 1 April	2,087	2,131
Additions	5	10
Disposals	-	(54)
As at 31 March	2,092	2,087
Amortisation & impairment		
At 1 April	(1,615)	(1,447)
Amortisation charge for the year	(134)	(222)
Disposals	-	54
As at 31 March	(1,749)	(1,615)
Balance sheet at 31 March 2019	343	472
Balance sheet at 31 March 2018	472	684

8 Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
<u>Investments</u>				
Loans and receivables	5,000	5,000	15,000	-
<u>Debtors</u>				
Financial assets carried at contract amounts	-	-	170	59
<u>Borrowings</u>				
PWLB Borrowings at amortised cost	2,021	2,023	-	-
<u>Other Long Term Liabilities</u>				
PFI and finance lease liabilities	13,793	13,987	384	329
<u>Creditors</u>				
Financial liabilities carried at amortised cost	-	-	2,729	3,555

Income, Expense, Gains and Losses

	Financial assets: Loans and receivables			
	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000
Financial Liabilities				
Interest payable relating to PFI	1,380	1,397	-	-
Interest payable relating to Borrowing	89	176	-	-
Interest payable relating to finance leases	10	3	-	-
Total expense in Deficit on the Provision of Services	1,479	1,576	-	-
Financial Assets				
Interest income	-	-	(358)	(266)
Total income in Deficit on the Provision of Services	-	-	(358)	(266)
Net gain/(loss) for the year	1,479	1,576	(358)	(266)

Fair Values of Assets and Liabilities

In accordance with IFRS 9, 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 2019 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 2019		31 March 2018	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	2,021	2,687	2,023	2,663
Cash deposits invested and classed as loans and receivables	-	-	-	-
PFI Liabilities	13,917	16,954	14,231	16,277

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Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2019 is £2.000 million (2017/18: £2.000m) and it is due for repayment as shown in the following table:

	2018/19	2017/18
	£000	£000
Over 10 years	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

9 Debtors

	2018/19	2017/18
	£000	£000
Trade debtors	2,406	1,015
VAT	176	223
Local taxation debtors	3,161	3,134
Other debtors	3,994	6,388
	<u>9,737</u>	<u>10,760</u>

10 Cash & Cash Equivalents

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

	2018/19	2017/18
	£000	£000
Cash held by the Authority	54	49
Cash held by North West FireControl (25% share)	141	164
Call account balance	14,646	28,555
	<u>14,841</u>	<u>28,768</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 2019 equal to their nominal value.

11 Creditors

	2018/19	2017/18
	£000	£000
Goods and services creditors	2,274	2,829
PAYE/NI	964	905
Local taxation creditors	1,907	1,801
Other creditors	871	1,204
Receipts in advance	249	259
	<u>6,265</u>	<u>6,998</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	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Balance at 1 April	434	1,129	22	21	628	613	1,084	1,763
Amounts utilised	(38)	(6)	-	-	-	-	(38)	(6)
Unused amounts reversed	(41)	(799)	-	-	-	-	(41)	(799)
Additional provision	147	110	-	1	130	15	277	125
Balance at 31 March	502	434	22	22	758	628	1,282	1,084

13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2018/19 £000	2017/18 £000
Finance Lease Liability	154	-
PFI Liability (see note 14)	13,575	13,917
PFI Contractor Loan (see note 14)	65	70
Pension Liability (see note 15)	864,889	800,264
	<u>878,683</u>	<u>814,251</u>

14 PFI Schemes

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

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 2019 the total outstanding loan was £0.070m (2017/18: £0.075m).

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.

Payments remaining to be made under both PFI contracts and Government Subsidies to be received at 31 March 2019 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	Government Subsidy
	£000	£000	£000	£000	£000
Payable in 1 year	710	342	1,360	2,412	1,734
Payable within 2-5 years	3,040	1,707	5,185	9,932	6,935
Payable within 6-10 years	4,296	3,250	5,539	13,085	8,668
Payable within 11-15 years	4,527	4,553	3,728	12,808	8,166
Payable within 16-20 years	3,018	4,065	1,414	8,497	5,371
Total	15,591	13,917	17,226	46,734	30,874

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:

	2018/19 £000	2017/18 £000
Balance outstanding at the start of the year	14,231	14,519
Payments during the year	(314)	(288)
Balance outstanding at year end	13,917	14,231

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

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

The Authority participates in two pension schemes:

- i) Uniformed Firefighters are covered by an unfunded, defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated by the Authority to meet actual pensions payments as they fall due.
- ii) Other staff pensions are provided from the Lancashire County Pension Fund. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with the investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance Fund via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	1,801	1,774	10,660	10,690
• Administrative expenses	26	24	-	-
• Past service cost	434	-	32,970	510
	2,261	1,798	43,630	11,200
Financing and Investment Income and Expenditure:				
• Interest cost	1,625	1,570	20,100	20,790
• Interest on scheme assets	(1,449)	(1,354)	-	-
	176	216	20,100	20,790
Total post employment benefit charged to the deficit on provision of services	2,437	2,014	63,730	31,990
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	(1,156)	(3,200)	21,040	(7,530)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	1,281	(1,186)	84,770	24,460
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(726)	1,958	(63,900)	(4,480)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(555)	(772)	-	-
Net retirement benefits payable to pensioners	-	-	(20,870)	(19,980)
	-	-	-	-

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 £16.511m (2017/18: £15.195m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 63.

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 2019	31 March 2018 Restated*	31 March 2019	31 March 2018
	£000	£000	£000	£000
Opening balance at 1 April	(62,839)	(62,912)	(793,336)	(788,856)
Current service cost	(1,801)	(1,774)	(10,500)	(10,649)
Interest on liabilities	(1,625)	(1,570)	(20,100)	(20,789)
Contributions by scheme participants	(371)	(381)	(3,240)	(2,964)
Remeasurements (liabilities):				
Experience (gain)/loss	-	-	900	9,258
Gain/(Loss) on financial assumptions	(3,808)	2,614	(21,940)	(21,922)
Gain/(Loss) on demographic assumptions	-	-	-	20,190
Benefits/transfers paid	1,441	1,183	23,950	22,904
Past service cost	(434)	-	(32,970)	(508)
Closing balance at 31 March	(69,436)	(62,839)	(857,236)	(793,336)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2019	31 March 2018 Restated*	31 March 2019	31 March 2018
	£000	£000	£000	£000
Opening balance at 1 April	55,910	54,025	-	-
Interest on scheme assets	1,449	1,355	-	-
Remeasurements (assets)	4,964	586	-	-
Administrative expenses	(26)	(24)	-	-
Employer contributions	556	771	20,710	19,940
Contributions by scheme participants	371	381	3,240	2,964
Benefits paid	(1,441)	(1,183)	(23,950)	(22,904)
Closing balance at 31 March	61,783	55,910	-	-

* The Comparative figures have been restated to correct an error in the way the NWFC LGPS balances had been included.

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 £6.239m (2017/18: gain of £1.869m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2019 is a gain of £0.287m (2017/18: cumulative gain of £0.267m).

Scheme history

	2018/19	2017/18 Restated	2016/17	2015/16	2014/15
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(69,436)	(62,839)	(62,912)	(49,267)	(50,503)
Firefighters Pension Scheme	(857,236)	(793,336)	(788,856)	(666,356)	(687,420)
Fair value of assets in LGPS	61,783	55,910	54,025	44,027	39,099
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(7,653)	(6,929)	(8,887)	(5,240)	(11,404)
Firefighters Pension Scheme	(857,236)	(793,336)	(788,856)	(666,356)	(687,420)
Total	(864,889)	(800,265)	(797,743)	(671,596)	(698,824)

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, £864.889m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £746.754m (2017/18: £685.640m). 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 a £7m 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	1,156	3,846	5,002

*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 2016, taking account of any significant changes since this. The figures include an estimate of the potential increase in liabilities as a result of the recent legal action surrounding the transitional protection arrangements – see note 19 Contingent Liabilities for more details.

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 LGPS figures also include a past service cost in relation to a potential increase in liabilities as a result of the recent legal action surrounding the transitional protection arrangements – see note 19 Contingent Liabilities for more details.

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 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	22.3	22.3	22.8	22.7	22.0	21.9
Women	24.5	24.5	25.5	25.4	22.0	21.9
Longevity at 65 for future pensioners:						
Men	23.9	23.9	25.1	25.0	23.9	23.9
Women	26.5	26.5	28.2	28.0	23.9	23.9
Rate of CPI inflation	2.40%	2.30%	2.20%	2.10%	2.35%	2.30%
Rate of increase in salaries	2.70%	2.60%	3.70%	3.60%	4.35%	4.30%
Rate of increase in pensions	2.40%	2.30%	2.30%	2.20%	2.35%	2.30%
Rate for discounting scheme liabilities	2.50%	2.70%	2.40%	2.60%	2.45%	2.55%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	50%

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

	Quoted in active market	Assets at 31 March 2019		Assets at 31 March 2018 Restated*	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	1,094	1.8	889	1.6
Bonds	Y	3,876	6.3	3,256	5.8
Property	N	5,726	9.3	5,229	9.4
Cash/Liquidity	N	395	0.6	(140)	(0.3)
Other	N	50,692	82.0	46,676	83.5
		<u>61,783</u>	<u>100.0</u>	<u>55,910</u>	<u>100.0</u>

* The 2017/18 figures have been updated to include the NWFC asset fair values.

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019:

Local Government Pensions Scheme (LGPS) inc NWFC:	2018/19	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%
Experience Gains and losses on assets	8.0	1.0	12.3	1.3	6.9
Gains and losses on liabilities	(5.5)	4.2	16.6	(6.2)	14.9
Firefighters Pension Scheme:	2018/19	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	2.5	(0.9)	14.4	(4.8)	11.0
Total of LGPS and Fire Pension Schemes:	2018/19	2017/18	2016/17	2015/16	2014/15
	%	%	%	%	%
Experience Gains and losses on assets	8.0	1.0	12.3	1.3	6.9
Gains and losses on liabilities	1.9	(0.6)	14.6	(4.9)	11.2

16 Usable Reserves

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

	2018/19		2017/18	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(8,350)		(7,899)
Earmarked Reserves	(3,607)		(3,556)	
PFI Equalisation Reserve	<u>(4,413)</u>		<u>(4,327)</u>	
Total Earmarked Reserves		(8,020)		(7,884)
Total Revenue Reserves		<u>(16,370)</u>		<u>(15,783)</u>
Capital Reserves:				
Capital Funding Reserve		(17,393)		(17,745)
Capital Grants Unapplied		(605)		(121)
Usable Capital Receipts		(1,649)		(1,582)
Total Usable Reserves		<u>(36,017)</u>		<u>(35,230)</u>

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.17	Transfers in 2017/18	Transfers out 2017/18	Balance at 31.3.18	Transfers in 2018/19	Transfers out 2018/19	Balance at 31.3.19
General fund	(10,512)	(16)	2,629	(7,899)	(451)	-	(8,350)
Earmarked Reserves	(3,919)	(1,054)	1,417	(3,556)	(240)	189	(3,607)
PFI Equalisation Reserves	<u>(3,537)</u>	<u>(1,061)</u>	<u>271</u>	<u>(4,327)</u>	<u>(125)</u>	<u>40</u>	<u>(4,413)</u>
Total Earmarked Reserves	(7,456)	(2,115)	1,688	(7,884)	(365)	229	(8,020)
Capital funding reserve	(16,633)	(3,528)	2,416	(17,745)	-	352	(17,393)
Capital grants unapplied	(947)	-	826	(121)	(563)	79	(605)
Usable capital receipts	<u>(1,501)</u>	<u>(81)</u>	<u>-</u>	<u>(1,582)</u>	<u>(68)</u>	<u>-</u>	<u>(1,649)</u>
Total Usable Reserves	<u>(37,048)</u>	<u>(5,740)</u>	<u>7,558</u>	<u>(35,230)</u>	<u>(1,447)</u>	<u>660</u>	<u>(36,017)</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:

	2018/19 £000	2017/18 £000
Revaluation Reserve	(43,925)	(40,862)
Capital Adjustment Account	(38,461)	(38,641)
Pensions Reserve	864,889	800,264
Collection Fund Adjustment Account	(496)	(704)
Accumulated Absences Adjustment Account	764	813
Total Unusable Reserves	<u>782,771</u>	<u>720,871</u>

Revaluation Reserve

	2018/19 £000	2017/18 £000
Balance at 1 April	(40,862)	(36,957)
Upward revaluation of assets	(6,706)	(7,629)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	2,167	2,462
Difference between fair value depreciation and historical cost depreciation	1,476	1,215
Amount written off to the Capital Adjustment Account	-	47
	<u>(43,925)</u>	<u>(40,862)</u>

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition under statutory provisions. The account is debited with the cost of acquisition as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition.

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

	2018/19		2017/18	
	£000	£000	£000	£000
Balance at 1 April		(38,641)		(36,762)
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	2,328		2,351	
• Revaluation losses on Property, Plant & Equipment	465		699	
• Amortisation of intangible assets	134		122	
		<u>2,927</u>		<u>3,172</u>
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		<u>2,927</u>		<u>3,146</u>
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)	
• Statutory provision for financing of capital investment charged against General Fund	(335)		(340)	
• Voluntary provision for financing of capital investment charged against General Fund	(2)		(48)	
• Use of capital reserves to fund expenditure	(352)		(2,416)	
• Use of earmarked reserves to fund expenditure	(28)		(224)	
• Capital expenditure charged to General Fund Balance	(2,030)		(1,493)	
		<u>(2,747)</u>		<u>(5,026)</u>
Balance as at 31 March		<u>(38,461)</u>		<u>(38,641)</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.

	2018/19	2017/18 Restated*
	£000	£000
Balance at 1 April	800,264	797,742
Actuarial (gains) or losses on pensions assets and liabilities	19,884	(10,729)
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	66,166	34,003
Net payments to pensioners payable in the year	(20,870)	(19,980)
Employers pension contributions	(555)	(772)
	864,889	800,264

* The 2017/18 figures have been restated to correctly split out LGPS employers contributions from the net Firefighters pension costs and reversal of items charged to the CIES.

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	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Balance at 1 April	(601)	(734)	(103)	70	(704)	(664)
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	127	133	-	-	127	133
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	-	-	80	(173)	80	(173)
Balance at 31 March	(474)	(601)	(23)	(103)	(496)	(704)

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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	813	804
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(49)	9
Balance at 31 March	764	813

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, remains 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 (McCloud / Sargeant)

Claims have been made in relation in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the ‘transitional protection’ offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes. This would lead to an increase in Firefighters Pension Scheme liabilities and our actuaries (The

Government Actuarial Department (GAD)) using specific assumptions and applying these across the Firefighters schemes have estimated that the potential increase in scheme liabilities to be approximately £33m or 4% of pension scheme liabilities. This increase is reflected in the IAS19 disclosure (note 15) as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Local Government Pension Scheme (LGPS) (McCloud / Sargeant)

With regard to the LGPS a similar adjustment to past service costs within the IAS19 disclosure (note 15) has been made for the McCloud judgement. This corresponds to £0.4m, or 0.7% increase in liabilities. The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates.

20 Post Balance Sheet Events

As at the date the Treasurer signed the accounts, 30 July 2019, 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 £0.012m of the £0.177m 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 £0.007m and which is considered sufficient for this purpose.

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

	2018/19 £000	2017/18 £000
0 to 30 days	165	58
31 to 60 days	10	2
61 to 90 days	1	1
91 to 180 days	1	-
Over 180 days	-	1
	<u>177</u>	<u>62</u>

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 2019	
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 £27.3 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 £273,000 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.

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.

An assessment for Group Accounting requirements has taken place during 2018/19 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, and on this basis, the Authority's 25% share of the transactions and balances of NW FireControl Limited have been recognised within the accounts.

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

Key Information	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Total assets less Current Liabilities	304	285
Net assets*	(3,953)	(2,857)
(Loss) Before Taxation	(411)	(427)
(Loss) After Taxation	(417)	(432)
Debtor Balance (LFRS)	-	296
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,175	1,144
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.

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 31/12/2019 for the final audited 2018/19 accounts.

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

	2018/19 £000	2017/18 £000
Depreciation	3,803	3,578
Impairment & downwards valuations	465	699
Amortisation	134	222
Increase/(decrease) in provisions	198	(679)
Increase/(decrease) in creditors	(622)	403
(Increase)/decrease in debtors	1,023	95
(Increase)/decrease in stock	(10)	(21)
Movement in pension liability	44,741	13,251
Net book value of fixed assets sold	-	21
	<u>49,732</u>	<u>17,569</u>

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

	2018/19 £000	2017/18 £000
Interest received	181	99
Interest paid	(1,457)	(1,553)

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

25 Reconciliation of liabilities arising from financing activities -

	Long Term borrowings £000	Short Term borrowings £000	Lease liabilities £000	Total £000
1 April 2018	16,231	288	10	16,529
Cash flows:				
Repayment	(656)	54	(13)	(615)
Proceeds	-	-	-	-
Non-cash:				
Acquisition	-	-	193	193
31 March 2019	15,575	342	190	16,107

26 Assumptions made about the future and other major sources of estimation and 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using the Discounted Cash Flow (DCF) model.	The Authority uses the DCF model to measure the fair value of its PFI liabilities. Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.7m.
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 £17.7m • Inflation rate – increase of £14.9m • Pay growth – increase of £2.1m

		A 1 year increase in life expectancy will increase the net pension liability by £5.7m.
Fire-fighters Pension Liability & LGPS Liability	Estimate of the impact on future liabilities arising from the potential remedy awarded to affected employees relating to the McCloud/Sargeant judgement.	Past service costs have been recognised (see Note 15), however these are based on one potential remedy and are very sensitive to the assumptions made. Full details can be seen in note 19 Contingent Liabilities.

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

27 Accounting Standards issued but not yet adopted

For 2018/19 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS40 Investment Property: Transfers of investment property
- Annual Improvements to IFRS Standards 2014 – 2016 cycle
- Amendments to IFRS9 Financial Instruments: Prepayment Features with negative compensation

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

28 Expenditure and Income Analysed by Nature

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

	2018/19 £000	2017/18 £000
Expenditure		
Employee benefits expenses	67,391	33,678
Other services expenses	13,925	12,584
Support service recharges	4	8
Depreciation, amortisation and impairment	4,402	4,499
Interest payments	21,755	22,581
Gain on disposal of fixed assets	(68)	(13)
Total expenditure	107,409	73,337
Income		
Fees, charges and other service income	(5,666)	(4,640)
Interest and investment income	(358)	(267)
Income from council tax and business rates	(44,845)	(42,838)
Government grants and contributions	(10,771)	(11,170)
Total Income	(61,640)	(58,916)
Deficit on the provision of services	45,769	14,421

29 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 – 2018/19, 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 2018/19, 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 2018/19, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2018/19, 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 measured at amortised cost

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 2019, 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 de-recognise significant components of assets, where the significant component has a different useful life to the remainder of the asset. Assets with a carrying value of less than £500,000 will not be subject to componentisation rules, and a significant component is one of over 25% of the asset carrying value. Components will only be recognised on assets valued after 1 April 2010.

vii) Derecognition

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

viii) Non Current Assets Held for Sale

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

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.

I Provisions

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

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	2018/19 Total £000	2017/18 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(3,699)	(3,692)
- other contributions	(266)	(179)
- Members contributions	(3,074)	(2,923)
Transfers in:		
- Individual transfers from other schemes	(168)	(52)
Total Income to the Fund	(7,207)	(6,846)
Spending by the fund		
Benefits payable:		
- Pension payments	19,297	18,446
- Commutations of pensions and lump-sum retirement benefits	4,418	3,593
Transfers out:		
- Individual transfers out to other schemes	3	-
- Refunds of contributions		2
Total Spending by the fund	23,718	22,041
Net amount receivable for the year before top up grant receivable from central government	16,511	15,195
Top up grant receivable from central government	(16,511)	(15,195)
Net amount receivable for the year	-	-
Net Assets Statement	2018/19 £000	2017/18 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(3,765)	(4,275)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	3,765	4,275
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 2019 the Authority is owed £3.765m (2017/18: £4.275m) 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 29 – accounting policies, in particular section e.

Contribution Rates

Under the firefighters pension regulations the contribution rates during 2018/19 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 Government, and are subject to triennial revaluations by the Government Actuary's Department. Four ill health retirements were recognised during 2018/19, and two in 2017/18.

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

RESOURCES COMMITTEE

Meeting to be held on 25 September 2019

FINANCIAL MONITORING 2019/20

(Appendices 1 and 2 refer)

Contact for further information:

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

Executive Summary

The report sets out the current budget position in respect of the 2019/20 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee are requested to note and endorse the financial position.

Information

Revenue Budget

The overall position as at the end of July shows an underspend of £0.3m. We are monitoring any trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Resources Committee.

At the May meeting, we reported that there was a potential shortfall of £273k in Section 31 grant in relation to Business Rates Relief for 2019/20. Since the meeting, we (along with other Local Authorities in the same position) have made representations to Ministry of Housing, Communities and Local Government (MHCLG) and submitted evidence as requested to demonstrate our budgetary shortfall for 2019/20. Although we have not yet had confirmation, we believe that we have met the criteria as set out by MHCLG in order for them to pay a one off grant of £273k. As such, we have not reduced budgeted grant income for 2019/20.

In addition, since the last meeting we have received Section 31 grant funding in relation to the Winter Hill incident of 2018. We had anticipated claiming this under the Bellwin scheme, which had an element of self-funding (circa £109k), however as it was paid under Section 31 grant we have been reimbursed for all bar £15k of the total costs, giving an underspend in 2019/20 of £94k.

In terms of the year end forecast it is still early in the year, however the latest forecast currently shows an underspend of approximately £0.2m, largely reflecting on going vacancies and the additional income in respect of Winter Hill.

It should be noted that in line with recent court/ombudsman rulings in respect of the pensionability of allowances we are undertaking a review of all our allowances to determine which are pensionable and which are not. Whilst the review is on-going it is clear that if any allowances are made pensionable then this will impact on the revenue budget, however at this early stage we have not reflected this in the forecast as presented.

We will update the forecasts as the position becomes clearer, and provide an updated report to members at the appropriate time.

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

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(36)	(64)	The variance to date and forecast outturn both reflect:- <ul style="list-style-type: none"> • An additional £58k of grant being allocated to the USAR Team by Government, this announcement only being made after the budget was set • The additional income generated at Preston due to the extension of the lease arrangement with NWS until September 2020, generating an additional £25k in 19/20.
Winter Hill	(94)	(94)	As previously reported, we anticipated claiming under Bellwin for the Winter Hill incident, however we have now received the funding via Section 31 grant and have been reimbursed all bar £15k of the total costs, giving an underspend in 2019/20 of £94k
Property	97	21	The overspend position relates to premises repairs and maintenance, with lighting and drill yard works being carried out at several fire stations. This is a timing issue and reflects orders raised to date for work which has not yet been undertaken. Hence we are forecasting a broadly balanced year end position
Other Non-DFM	(62)	360	The majority of the underspend to date reflects the additional council tax collection fund surplus of £59k due from one of the billing authorities as previously reported. The majority of the forecast overspend reflects the funding gap identified at the time of setting the budget in February.
Whole-time Pay (less Associate Trainers)	(97)	(275)	There are a number of factors contributing to the underspend on whole-time pay at the end of July. The most significant of which are: <ul style="list-style-type: none"> • The Service currently holds four more vacancies than allowed for in the budget due to personnel retiring earlier than forecast and a slight shortfall in the

			<p>number of recruits who commenced on station in April. This gives rise to an underspend of £25k.</p> <ul style="list-style-type: none"> • However within the total staffing levels there are a number of vacancies at Watch Manager level, which are offset by Fire-fighters. This reflects the difficulty in filling some of the Trainer and Fire Safety posts, generating a further underspend of approx. £50k. • On a similar basis the number of personnel in development is higher than budgeted, which also means that fewer personnel are in receipt of CPD payments than allowed for. Both of these give rise to a further underspend of approx. £50k. • In addition a number of personnel have opted out of the pension scheme. The budget is based on the actual number of 'opt outs' at the time of setting the budget. However this has now increased to 35 with the 4 additional 'opt outs' generating a saving of approx. £20k • Offsetting this Associate Trainer costs are higher than budgeted, by £52k, reflecting additional usage of associates to cover vacancies at TOR and to meet temporary demand for trainers in excess of current staffing levels. <p>As a result of these the overall whole-time budget is underspent by approx. £100k after 4 months of the year. However to put this into context that represents a variance of less than 1% of the budget at the end of July. Some of these variances are a timing issue, as new recruits start, personnel are promoted and as personnel achieve competency and are paid accordingly. This is reflected in the forecast outturn position shown, an anticipated underspend of £275k. However it is still early in the year to make any accurate predictions and we will continue to monitor and report on this.</p>
RDS Pay	14	42	The budget is broadly in line at the end of July. This is reflected in the forecast outturn position, which is based on average activity levels during the second half of the year, and vacancies remaining at a consistent level.
Support staff (less agency staff)	(53)	(130)	The underspend to date and forecast relates to vacant posts across various departments, which are in excess of the vacancy factor

			built into the budget. The majority of these vacancies are currently undergoing recruitment, although ICT and Knowledge Management remain problem areas. Note agency staff costs to date of £39k are replacing vacant support staff roles, this accounts for less than 2% of total support staff costs.
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Capital Budget

The Capital Programme for 2019/20 stood at £7.5m following on from slippage and other changes to the programme approved at the May Resources Committee. Since then the budget has been amended to reflect the removal of the £0.2m budget relating to professional fees for the Preston Fire Station rebuild, following the May Resources Committees' decision to put the project on hold. This adjustment takes the revised budget to £7.3m.

A review of the programme is being undertaken to identify expected progress against the schemes during the year. The current position, shown in appendix 2 and summarised below, shows committed expenditure to the end of June of £2.9m: -

Area	Committed Expenditure to June 2019	Details
	£000	
Pumping Appliances	1,056	The budget allows for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, for which the order had been placed in January 2018. In addition, the budget allows for the first stage payments of the 3 pumping appliances for the 2019/20 programme, given we are still finalising the vehicle specification for these, it appears unlikely that any costs will be incurred in the current year.
Other vehicles	698	This budget allows for the replacement of various operational support vehicles, the most significant of which are: <ul style="list-style-type: none"> • Two Command Support Units (CSU), the requirements are still being finalised with Service Delivery prior to undertaking a procurement exercise; and • One Water Tower, which has been delivered during quarter one. In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement. We currently anticipate completing the purchase of all of these other than the Command Support Units, which are likely to slip into next year.
Operational Equipment	4	This budget allows for completion of the kitting out of three reserve pumping appliances, which were part of the 2018/19 programme, in addition to providing a £50k

		<p>budget for innovations in fire-fighting to be explored. This budget also allows for the progression of CCTV on pumping appliances, this project has been delayed due to capacity issues, hence it is not clear whether costs will be incurred in the current or next financial year.</p>
Building Modifications	270	<p>This budget allows for:</p> <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. We have completed design work and are in discussion with Chorley BC relating to planning permissions. We have selected a procurement framework and are commencing works to appoint a contractor/partner to take designs forward. • Refurbishment of the Fire House, where work was nearing completion at the end of June (actually completed in July), and where we have incurred costs of £270k to date. • Provision of an area training hub within the Northern area, and whilst works are on-going on design this facility, we require the approval of the PFI contractors before proceeding to the procurement stage; • Amendment to accommodation at Morecambe Fire Station to enable co-location with NWS, however, as referred to above, prior to moving to the procurement stage we require the approval of the PFI contractors; • Based on the latest stock condition survey, several stations have identified upgrades to dormitory and shower facilities. Plans have been finalised and are currently being costed prior to moving to procurement. The actual timing of works will vary depending on Property department capacity to deliver the works. <p>Anticipated in-year spend will depend upon the final procurement route for the above projects and the timeframe for approval to proceed being granted by the PFI contractors</p>
IT systems	860	<p>The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. This national project has suffered lengthy delays to date.</p> <p>The replacement station end project has now commenced with equipment ordered and due for delivery in the current calendar year, with installation following thereafter.</p> <p>The budget also allows for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service. The order has been placed and work is</p>

		<p>underway to install this. We anticipate this project being completed in the current calendar year</p> <p>The budget also allows for replacement Storage Area Network, the hardware for which has been delivered in quarter one, and will be configured for use in due course. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work is on-going to facilitate the replacement of some of these systems in the current year, we are still reviewing the need to replace others. Hence further updates on progress will confirm which replacements are being actioned in the current year and anticipated spend profiles.</p>
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The committed costs to date will be met by revenue contributions and usage of capital reserves.

Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2019/20 budget, and performance to date against this target: -

	Annual Target	Target at end of July	Savings at end of July
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	1.046	0.349	0.492
Reduction in cleaning budget	0.030	0.010	0.012
Reduction in Fleet insurance budget	0.020	0.018	0.017
Reduction in Organisational Development budget	0.053	0.007	0.006
Reduction in Training Centre catering budget	0.025	0.008	0.011
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	-	-	0.036
Balance – cash limiting previously underspent non pay budgets	0.038	0.013	0.013
Total	1.212	0.405	0.587

The performance to date is ahead of target, largely due to savings in respect of staffing costs during the period. It is anticipated that we will meet our savings target for the financial year.

Financial Implications

As outlined in the report

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

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

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

APPENDIX 1

BUDGET MONITORING STATEMENT JULY 2019	Total Budget	Budgeted Spend to Jul 2019	Actual Spend to Jul 2019	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	34,387	11,765	11,733	(32)	4	(36)	(64)
Winter Hill	-	-	(94)	(94)	-	(94)	(94)
Training & Operational Review	3,952	1,479	1,434	(45)	(19)	(27)	(24)
Control	1,191	1,191	1,191	(0)	-	(0)	(0)
Prince's Trust Volunteers Scheme	100	(42)	(44)	(2)	-	(2)	(0)
Special Projects	13	12	12	0	-	0	6
Strategy & Planning							
Fleet & Technical Services	2,696	977	995	18	6	11	52
Information Technology	2,550	878	850	(28)	(22)	(6)	(3)
Service Development	4,221	1,436	1,366	(70)	(68)	(2)	(34)
People & Development							
Human Resources	682	221	213	(8)	(2)	(6)	11
Occupational Health Unit	268	93	74	(18)	(2)	(16)	(42)
Corporate Communications	310	103	91	(12)	3	(14)	(26)
Safety Health & Environment	197	66	68	2	1	1	2
Corporate Services							
Executive Board	1,103	397	389	(7)	(15)	8	1
Central Admin Office	789	262	258	(4)	(0)	(4)	(3)
Finance	140	47	46	(0)	0	(1)	(2)
Procurement	993	303	278	(25)	(23)	(1)	36
Property	1,414	498	595	98	1	97	21
External Funding	-	(9)	(9)	0	0	0	0
Pay							(382)
TOTAL DFM EXPENDITURE	55,006	19,675	19,447	(228)	(136)	(92)	(544)
Non DFM Expenditure							
Pensions Expenditure	1,313	632	619	(13)	-	(13)	(10)
Other Non-DFM Expenditure	(268)	(2,272)	(2,342)	(69)	(7)	(62)	360
NON-DFM EXPENDITURE	1,045	(1,640)	(1,723)	(82)	(7)	(75)	349
TOTAL BUDGET	56,051	18,035	17,725	(310)	(143)	(167)	(194)

CAPITAL BUDGET JULY 2019	Revised Programme	Resources Sept	Revised Programme	Committed Exp
Vehicles				
Pumping Appliance	1.206	-	1.206	1.056
Other Vehicles	1.436	-	1.436	0.698
	2.642	-	2.642	1.755
Operational Equipment				
Operational Equipment	0.182	-	0.182	0.004
	0.182	-	0.182	0.004
Buildings Modifications				
STC Redevelopment	1.520	-	1.520	0.270
NWAS Co-location - Morecambe	0.120	-	0.120	-
Area training hub - Morecambe	0.400	-	0.400	-
Enhanced station facilities	0.275	-	0.275	-
Lancaster Replacement	-	-	-	-
Preston Replacement	0.200	(0.200)	-	-
	2.515	(0.200)	2.315	0.270
ICT				
IT Systems	2.118	-	2.118	0.860
	2.118	-	2.118	0.860
Total Capital Requirement	7.457	(0.200)	7.257	2.888
Funding				
Capital Grant	1.000	-	1.000	-
Revenue Contributions	2.000	-	2.000	2.000
Earmarked Reserves	-	-	-	-
Capital Reserves	4.457	(0.200)	4.257	0.888
Total Capital Funding	7.457	(0.200)	7.257	2.888

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LANCASHIRE RESOURCES COMMITTEE

Meeting to be held on 25 September 2019

EQUALITY, DIVERSITY AND INCLUSION ANNUAL REPORT 2018/2019

(Appendix 1 refers)

Contact for further information:

Bob Warren – Director of People and Development – Tel No. 01772 866804

Executive Summary

The Annual Equality, Diversity and Inclusion Report documents the Service's performance in relation to explaining those actions the Service has undertaken to meet the objectives and plans over the next twelve months.

Recommendation

The Committee is asked to note and endorse the Equality, Diversity and Inclusion Annual Report and agree the Action plan for 2018/2019.

Information

The Equality Act 2010 requires the Service in the exercise of its functions to have due regard to:

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

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

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

The Annual Equality, Diversity and Inclusion Report documents the Service's performance in relation to meeting its legal duties over the year 2018 – 2019, the workforce profile as at 31 March 2019 and future plans for the Service between 1 April 2019 and 31 March 2020.

The report refers to the approach the Service has taken in relation to:

- Corporate Planning and policy development.
- The composition of our workforce.
- An overview of activities that the Service has undertaken which demonstrate the Service is complying with the Equality Duty.

The Service agreed the following equality objectives as part of the development of its Integrated Risk Management Plan 2017-2022:

Our Communities:

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

Our workforce:

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

The full Equality, Diversity and Inclusion Annual Report explains those actions the Service has undertaken to meet its Equality, Diversity and Inclusion objectives and the activities the Service intends to take over the next twelve months. The Report details the diversity of our communities, how we will make our services accessible, our approach to training, recruitment, employment; and how we engage and consult with our staff and Trade Unions.

With effect from 31 March 2019 the Service has been required to publish our Gender Pay Gap and details of this are contained within the report. Using the calculation methodology across LFRS, the mean gender pay gap is significantly different than the national average at -2.56% (equating to a £0.30 positive difference in hourly pay between males and females to the benefit of females), with the median gender pay gap equating to 16.08% (equating to a £2.24 positive difference in hourly rates of pay between males and females to the benefit of males).

Our Workforce Profile demonstrates that the trend continues in terms of the Service becoming more diverse in terms of the number of people we employ from under-represented groups.

Business Risk

There are no business risks arising from the report.

Environmental Impact

There are no environmental impacts arising from the report.

Equality & Diversity Implications

There are no equality and diversity implications arising from the report.

HR Implications

There are no human resources implications arising from the report.

Financial Implications

There are no financial implications arising from the report.

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

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

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**Equality, Diversity and Inclusion
Annual Report
2018/2019**

Contents

1. Foreword
2. Summary
3. Our aim
4. Corporate Planning and Policy approach to Equality Diversity and Inclusion
5. The Equality Act 2010
6. Equality Objectives
7. Protected Characteristics (or Protected Groups)
8. Equality Impact Assessment
9. Human Rights Act 1998
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13. Accessibility
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16. Equality in Employment Practices
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23. Appendix C Disciplinary, Grievance, Harassment and Bullying
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Foreword

1. Welcome to Lancashire Fire and Rescue Service (LFRS) Annual Equality Diversity and Inclusion Report 2018-2019

The Lancashire Combined Fire Authority (CFA) is responsible for leading and supporting Lancashire Fire and Rescue Service. The CFA has a membership of 25 elected councillors consisting of nineteen from Lancashire County Council, three from Blackburn with Darwen Council and three from Blackpool Council. It employs in the region of 1304 members of staff in a variety of roles including operational fire fighters, administrators, fire safety, business support and managerial staff, 83% of the Service are employed as firefighters.

The Annual Equality, Diversity and Inclusion Report documents our performance in relation to meeting our legal duties over the year 2018 – 2019, the workforce profile as at 31 March 2019 and our plans in relation to equality and diversity for the period 1 April 2019 – 31 March 2020.

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

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

2. Summary

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

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

3. Our aim

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

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

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

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

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

- Service: Making Lancashire safer is the most important thing we do.
- Trust: We Trust the people we work with.
- Respect: We respect each other.
- Integrity: We do what we say we will do.
- Value: We actively listen to others.
- Empowered: We contribute to decisions and improvements.

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

4. Corporate Planning and Policy Approach to Equality and Diversity

The annual priorities of the Service as detailed in our Annual Service Plan 2019-2020 and the Service’s Integrated Risk Management Plan 2017-2022 explains LFRS vision in terms of how we will achieve our mission of “making Lancashire safer”.

The Equality, Diversity and Inclusion Annual Report is part of the suite of human resources plans in addition to the Workforce Plan and the Organisational Development Plan which explains the interventions that will take place to support the achievement of LFRS mission and values. It flows from the overarching strategic plans of LFRS and links people management into the operational business arrangements. The development of the plan is also influenced by the National Fire and Rescue People Strategy and the work of the Inclusive Fire Service Group.

5. The Equality Act 2010

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

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

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

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

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

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

6. Equality Objectives

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

Our Communities:

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

Our workforce:

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

The Equality Act removed the need for equality schemes and LFRS now produces progress actions against its equality objectives for the previous year and new actions for the next year within the annual Equality, Diversity and Inclusion Report.

7. Protected Characteristics (or protected groups)

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

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

8. Equality Impact Assessment

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

9. Human Rights Act 1998

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

Human Rights are based on five principles known as FRED A

- Fairness
- Respect
- Equality
- Dignity
- Autonomy

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

10. Equality in partnerships and contracts

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

11. Our communities

11.1 Population

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

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

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

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

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

11.2 Cultural Diversity

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

¹ <http://www.lancashire.gov.uk/lancashire-insight/population-and-households>

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

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

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

11.3 Religion

The 2011 census recorded that across the 14 Authority areas in Lancashire, Christianity was the most popular religion with 67% of people in this classification; this is above the national average of 59.3%³. The second highest category recorded across Lancashire was of people stating no religion at 19% (national level 25.1%), followed by Muslim which was recorded at 6.6%. The Muslim population within Lancashire is higher than the national average of 4.8%, with the Blackburn with Darwen area having the third highest Muslim population across the 348 authorities within England and Wales.

² <http://www.lancashire.gov.uk/lancashire-insight/population-by-ethnicity>

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

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

11.4 Age

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

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

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

11.5 Welfare Deprivation and Employment

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

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

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

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

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

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

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

12. Summary of Equality and Diversity Activity

The detail of our progress is summarised in our completed action plan attached at Appendix D.

13. Accessibility

LFRS Corporate Communications Department ensures that information is made available in a variety of formats and using multiple channels to best reach Lancashire's diverse communities. The Service's equality and diversity values are promoted in key publications and information sources internally and externally. LFRS provides information in printed form and via digital channels including the LFRS website. The website meets Web Content Accessibility Guidelines (WCAG) 2.0 level AA, which is an internationally recognised set of recommendations for improving web accessibility by the World Wide Web Consortium (W3C). LFRS is working towards compliance with the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018 (which came into force for public sector bodies on 23 September 2018) and achieving Web Content Accessibility Guidelines (WCAG) 2.1 level AA standard. This standard must be met by September 2020. Intranets published before 23 September 2019 are exempt however our intention is to apply best practise both internally and externally wherever possible.

Making a website or mobile app accessible means making sure it can be used by as many people as possible. This includes those with:

- impaired vision
- motor difficulties
- cognitive impairments or learning disabilities
- deafness or impaired hearing

There are four design principles:

- perceivable - users can recognise and use your service with the senses that are available to them. For example, we provide descriptive text for images and videos and the ability to change the contrast and text size.
- operable - users can find and use your content, regardless of how they choose to access it (for example, using a keyboard or voice commands). For example, we don't use blinking or flashing content and the main navigation is accessible by keyboard shortcuts.
- understandable - people can understand your content and how the service works. For example, we use plain English, keep sentences short and don't use words and phrases that people won't recognise.
- robust - content can be interpreted reliably by a wide variety of user agents (including reasonably outdated, current and anticipated browsers and assistive technologies). For example, we use valid HTML so assistive technologies can accurately interpret and parse content.

The Corporate Communications department actively supports the prevention work of LFRS ensuring that key messages are targeted at those individuals who are most at risk. The department carries out positive action campaigns when recruiting to encourage women and under-represented groups to apply and supports a number of national campaigns and special events including Dementia Awareness Week, Older People's Day, Pride Month and International Women's Day. Information can be provided in alternative formats, such as large

print and additional languages, on request. The department is also working towards applying the British Dyslexia Association's style guide in both internal and external material to take into account the visual stress experienced by some dyslexic people and to facilitate ease of reading.

14. Training and Development

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

(i) Lancashire Fire and Rescue Service has prioritised the development of a strong organisational culture where its values are understood. The Service received "Outstanding" in its recent HMICFRS inspection in relation to Organisational Culture and Values. The Service values include behaving in a non-discriminatory and inclusive way, standing up for what is right and also working in a professional and non-judgemental way. The Service values are incorporated within the appraisal and performance management processes. During 2018/2019 all those in a leadership role attended our leadership development events which focused on how you build your own personal resilience in terms of delivering change in an engaged way and how to have a positive impact on others. During 2019/2020, the Service will focus on the development of our Senior Management Team in terms of identifying and embedding those key leadership behaviours which the Service needs to continue to actively demonstrate to ensure that members of staff feel included and valued.

(ii) All employees are required to complete equality, diversity, inclusion and unconscious bias training on Learn Pro as part of their induction. During 2019/2020 the Service will be exploring how representatives from our employee voice groups can attend informal networking induction events so they can support new members of staff from under-represented groups.

15. Recruiting a diverse workforce

One of the National Fire and Rescue Service core values is valuing diversity in the Service and the community and LFRS is committed to improving the diversity of the workforce to ensure that it represents the community it serves. During 2018/2019, the Service was successful in the process of achieving Employee provider status and has recruited its first cohort of 18 apprentices who will commence their apprenticeship in September 2019. Recruitment to the cohort created a real opportunity to recruit individuals who are diverse, who will have different backgrounds, experiences and complementary skill sets. The campaign was supported by an integrated positive action campaign which included a social media campaign. Service Delivery delivered 240 engagement activities including face to face engagement with local communities visiting community venues, career events and sports clubs.

Potential candidates were encouraged to attend "Have A Go" Days which were held in a number of Stations across Lancashire supported by Service Delivery, Fitness Advisors, and Human Resources staff, 597 people attended an increase from 209 people who attended the previous year. Of the total number of 906 valid applications received, 15% were from women, 5% from candidates who declared themselves as BME, 10% LGBT and 4% declared themselves as having a disability. Further to the completion of the recruitment campaign, of those successful 22% were female, 88% were male and 11% identified as BME.

16. Equality in Employment Practices

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

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

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

LFRS has a number of policies which support employees with a protected characteristic including: Bullying and Harassment Policy, Maternity Handbook (incorporating Paternity and Adoption), Shared Parental Leave, Grievance Policy, Equality, Diversity and Inclusion Policy. During 2019/2020 the Harassment and Bullying Policy will be updated and further to working with Stonewall the Service has developed HIV Policy and a Transitioning Policy.

17. Engagement and Consultation

LFRS engages with staff formally through the Trade Unions through formal and informal consultation meetings. Workforce and employment-related decisions and documents are reviewed with trade union representatives and other appropriate staff within LFRS. During 2019 formal consultation meetings will be set up with Unison as well as the FBU. The employee voice groups have become an effective mechanism for consulting with staff and receiving feedback from staff of under-represented groups.

The Service continues to collaborate and work with partners including the Authorities of Lancashire and Lancashire Constabulary.

18. Performance Management

The Annual Service Plan details the activities we will undertake in the year to deliver the strategy we set in our IRMP. The most important of these activities are managed by the Leadership Team through the Corporate Programme Board. The Service has identified a number of areas priority which impact on equality, diversity and inclusion in relation to developing the right organisational culture and the promotions of inclusion:

- Develop a strong organisational culture where our values are understood.
- Encourage and listen to employee voice.
- Promote equality, diversity and inclusion within the Service.
- Expand apprenticeship opportunities.
- Build a strong and resilient workforce.

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

All staff have a performance appraisal where objectives are set which support the delivery of our plans and feedback is given about performance in relation to our values. As we look to develop our appraisal process through 2019 and 2020 we are looking at how we can

strengthen those conversations with staff in relation to identifying the support and development they need to achieve their best.

19. Gender Pay Gap

Organisations with 250 or more employees have to report on their gender pay gap using a snapshot date of 31 March 2019. This information is required to be published on the LFRS and Government website.

The UK average Gender Pay Gap using National Statistics Data shows the average pay gap for all employees is 17.9% between men and women.

Using the calculation methodology across LFRS, the mean gender pay gap is significantly different than the national average at -2.56% (equating to a £0.30 positive difference in hourly pay between males and females to the benefit of females), with the median gender pay gap equating to 16.08% (equating to a £2.24 positive difference in hourly rates of pay between males and females to the benefit of males). Contained within the overall number are, however, significant variations.

There is a high proportion of male employees employed on the National Joint Council (NJC) for Local Authority Fire and Rescue Service terms and conditions (known commonly as the 'Grey Book'), which attract additional allowances that are not available to staff conditioned to the NJC for Local Government Service ('Green Book') support staff, the majority of which are female. These additional allowances increase Grey Book average earnings and moves this staff group to the lower middle quartile.

An example being that whilst basic salary across the support and uniformed staff is broadly comparable, uniformed staff receive recompense for their shift weekend working and unsocial hours in their basic pay regardless of requirement, whereas the same does not apply to individuals conditioned to a green book role i.e. a firefighter is paid the same salary whether on a day shift or 2,2,4.

The proportion of females in the upper-middle and upper quartile is reasonably reflective of the overall proportion of females within LFRS. The upper-middle quartile is predominantly male, but this is where the majority of staff undertaking the role of Firefighter can be found. A high proportion of males undertake the role of Firefighter so it is therefore unsurprising that this quartile is male dominated.

It is recognised that women are significantly under-represented in the operational workforce and consequently LFRS is committed to increasing the number of female firefighters. This forms an important part of LFRS's approach to equality, diversity and inclusion within the Service. LFRS is now undertaking positive action initiatives aimed at encouraging people from under-represented groups to apply for positions in the organisation. Recruitment activity is locally monitored (including the levels of attraction and appointment) to identify problem areas to inform process improvements.

20. Bullying and Harassment

LFRS has highly effective employee grievance and bullying and harassment procedures for dealing with employee complaints. The Service will be exploring through 2019 how it can capture details of the issues raised of an informal nature across the Service.

Appendix A

Workforce Profile as at 31 March 2019

The majority of our staff are white and male and work within the wholetime uniformed service and this reflects the historical recruitment trends associated with the Fire Service. A substantial number of white males also work within the On-call uniformed service.

Workforce Headcount LFRS

Total No.of staff	White British	BME	Male	Female	Disability	Ave Age
1304	1257	47	1091	213	24	41
%	96%	4%	84%	16%	2%	

There has been an increase in the total number of staff we employ from 1242 to 1304.

The trend is increasing in terms of the number of women we employ which has increased to 213 from 192 in 2016 and 177 in 2017.

The trend is increasing in terms of the number of BME staff we employ which has increased to 47 from 43 in 2016 and 37 in 2017.

The number of disabled we employ has increased from 14 to 24 .

Staff Category	Number of staff	FTE in contracted hours worked
Wholetime (including trainee FFs)	645	645
RDS	427	269 ⁴
Control	1	1
Service Delivery (CFS)	53	51
Support Staff	178	158
TOTAL	1304	1124

Prevention and Protection

Community Fire Safety Green Book roles

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
53 ⁵	48	5	29	24	1	46

⁴ Total number of On-call hours divided by 120

⁵ Fire Safety Inspectors, Business Safety Officer, Practitioners, Prevention Support Officer, Prevention Support Manager.

Fire Safety Practitioners Grey Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
30	29	1	29	1	0	48

Princes Trust Programme Support Green Book staff

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
19	19	0	5	14	0	39

Response Grey Book Operational staff including resilience and specialist capability

Wholetime (including DC and DCP duty roles and Trainee Firefighters)

Total No.of staff Headcount	Role	White British	BME	Male	Female	Disability	Ave Age
571	All	554	17	529	42	17	43
	Strategic ⁶	16	0	16	0	0	48
	First Line Supervisors ⁷	72	0	67	5	0	47

Retained Duty System

Total No.of RDS staff	Role	White British	BME	Male	Female	Disability	Ave Age
427	All	412	15	395	32	5	37
	First Line Supervisors	128	4	126	6	1	42
	FF	284	11	269	26	4	35

⁶ CFO, DCFO, ACFO, Area and Group Managers

⁷ Station and Operational Watch Managers

Female Firefighter workforce

Crewing System	Rank	Number
224	FF	23
	CM	3
	WM	1
DC	FF	2
	CM	
	WM	
DCP	FF	1
	CM	1
	WM	
Day Duty	CM	1
	WM	3
FDO	SM	4
RDS	FF	26
	CM	6
	WM	
Trainee Firefighters	FF	7
TOTAL		78

We employ a total of 78 women within our firefighter workforce through all ranks which is an increase from 71 in 2018, 54 in 2017 and 49 in 2016 respectively.

Business Support Staff Green Book

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
159	150	9	63	96	1	46

Within in Business Support staff there has been a small increase in the numbers of staff to 159 from 154 in 2018, 153 in 2017 retrospectively. There has also been an increase in the number of women we employ to 96 from 92, 84 retrospectively. The number of staff who identify as BME has increased to 9 from 7 and 5 retrospectively.

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

Total No.of staff	White	BME	Male	Female	Disability	Ave Age
45	45	0	41	4	0	42

Within Grey Book Support staff there has been an increase in numbers of staff employed from 38 to 45.

Turnover

During 2019, the following numbers of staff left the Service due to a number of reasons including retirement, dismissal, and termination of contract (including temporary contracts and fixed term contracts or voluntary resignation). Turnover is generally low across LFRS apart from RDS.

Staff Category	Male	Female	Total	Ethnic Minority	Disabled	% of females	% of bme
Wholetime	47	2	49	3	1	4	2
RDS	63	4	67	1	0	1.5	0
Control	0	0	0	0	0	0.00	0.00
Service Delivery (CFS)	2	2	4	0	0	50	0.00
Support Staff	7	14	21	1	0	66.7	0.00
TOTAL	119	22	141	2	1		

Age Profile

There has been little change in the age profile of members of staff within the wholetime service the majority of staff are aged between 45-49 years with a substantial number aged 50-55 years. This year there has been an increase in the number of people aged less than 34 years employed by LFRS. The youngest element of the workforce is RDS, where the largest number of staff are aged less than 34 years of age. Within business support services a significant proportion of staff are aged 50-55 years of age and 56-60 years of age.

Staff Category	Age	Age	Age	Age	Age	Age	Age
	Under 34	35-39	40-44	45-49	50-55	56-60	61+
Wholetime	109	98	74	201	146	17	0
RDS	186	83	48	41	47	20	2
Control	0	0	0	1	0	0	0
Service Delivery (CFS)	7	11	6	5	10	11	3
Support Staff	30	25	18	27	34	32	12
TOTAL	332	217	146	275	237	80	17

Recruitment Profile**Applications during the period 1.4.2018 – 31.3.2019**

Total Applications	Male	Female	BME	% of females	% of bme	LGB &T	% LGB & T	Disabled	% Disabled
1891	1451	440	174	23	9.2	141	7	61	3.2
Shortlisted									
796	621	175	55	22	7	63	8	23	3
Successful									
80	62	18	<10	23	<10	<10	<10	<10	<10

A lower number of applications for vacancies within LFRS are received from women, however of the applications received, the difference between the percentage of women to men appointed is negligible, being just 0.17%. The number of applications received from BME candidates is relatively low and of the applications received less than 10% are appointed, as is the case for applicants who declare a disability.

Promotions during the period 1.4.2018 – 31.3.2019

The success rate for female applicants for promotion to Watch Manager positions is 30% and to Station Manager positions is 50%. Although the number of female applicants is generally low, the successful candidates appointed to Watch Manager positions accounted for 14.2% of all successful candidates, and for Station Manager positions was 12.5%.

Disciplinary Cases for the period 1.4.2018 – 31.3.2019

There were 23 disciplinary cases during the period 1 April 2018 to 31 March 2019 which is an increase from 13 in the previous year.

Male	Female	BME	Disability	Appeals	Decision Upheld
18	5	<10	0	1	1

Matters of Grievance for the period 1.4.2018 – 31.3.2019

There were 6 grievance cases during the period 1 April 2018 to 31 March 2019 which is an increase from 5 in the previous year.

Male	Female	BME	Disability	Appeals	Decision Upheld
6	0	0	0	2	1 upheld 1 ongoing

5 of the cases were not upheld, 1 was upheld, of the two appeals submitted, one was not upheld, one remains open.

Harassment and Bullying Cases 1.4.2018 – 31.3.2019

There were 4 cases identified as a potential harassment and bullying cases during the period 1 April 2018 to 31 March 2019, which is an increase from 1; however 3 of the cases were submitted by one person against three people and following investigation the cases were not validated. The remaining case resulted in a final written warning and a compulsory transfer.

Equality Objectives: Our Communities

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

What we will deliver and how it will be achieved	Measure of Success	Owner	Target Date	Progress update
Leadership, partnership and organisational commitment: Vision Commitment Accountability Partnership				
Present the EDI Annual Report to the Fire Authority.	Members are aware of their commitments and accountabilities under the Policy	Chief Fire Officer	Completed	Annual Report 2017/2018 considered by WF Development Board and EDI Steering Group June 2018. EDI Annual Report presented to the Fire Authority 18 June 2018.
Ensure that EDI is embedded within LFRS Corporate Planning Framework i.e. IRMP, Annual Business Plan and District Plans.	Embed EDI into LFRS policy development and decision making process.	Head of Corporate Communications and Head of Service Development	Completed	Raised at annual planning meeting on 5 June for consideration Annual planning event for 2019/20 at UCLAN in December 2018 captured EDI related activities within the Annual Service Plan.

**Effective Service Delivery
Responsive and Accessibility of Services
Procurement and Commissioning**

<p>Reduce accidental fires in the home through targeting those people who are at risk due to a range of factors including age, disability and lifestyle.</p>	<p>Reduce accidental fires</p> <p>1.3 Accidental Dwelling Fires</p> <p>1.4 Accidental Dwelling Fire Casualties</p>	<p>Heads of Service Delivery</p>	<p>Completed</p>	<p>The transition to a Safe and Well Visit as the primary preventative offer within the Home Fire Safety Check Service is now complete.</p> <p>Seven key determinants constitute the health inequalities, at the core of the visit. A strong evidence base supports the likelihood that where such inequalities are present, they link directly to a poor outcome from a fire related incident.</p> <p>A referral mechanism into partner agencies is well established, where the requirement for additional support is identified during the delivery of the Safe and Well visits.</p> <p>LFRS is one of the six FRS's that have participated in the development of the Standard Evaluation Framework via Public Health England and the National Fire Chiefs Council.</p> <p>The Service has developed a tool kit for helping teach people with Special Educational Needs and Disabilities about fire safety and how to be safe in other situations.</p>
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<p>Work with at risk groups and local partners to contribute to the reduction and severity of road collisions in Lancashire. Young People are particularly at high risk of being killed or seriously injured.</p>	<p>Reduce road traffic accidents</p>	<p>Head of Service Development</p>	<p>Completed</p>	<p>Road safety packages deliver, year to date figures:</p> <ul style="list-style-type: none"> • Road Sense: 12,492 • Wasted Lives: 4,728 (Still 85% behaviour change from dip sample) • Biker Down: 210 (14 events) • SDSA: 6,481 • Crashed Car Events: 88 • Senior Road User Workshops: 600 (6 events) <p>Wasted Lives delivery has increased by 2,200 compared to the financial year 2017-2018</p>
<p>Ensure our services are accessible and meet the needs of people in the community by ensuring that fire prevention material is linked to a range of risks including cultural risks.</p>	<p>IRMP is informed by disaggregated data and takes into account differential impacts and varying needs</p>	<p>Head of Service Development</p>	<p>Completed</p>	<p>LFRS has supported the establishment of an LGBT group at Blackburn supported by a CFS Practitioner.</p> <p>LFRS has signed up to the Maturity Matrix which is a tool which can be used to establish LFRS position in relation to race and religion.</p> <p>Prevention Campaigns are delivered through the four thematic prevention groups with intelligence and analysis captured through SIAG. Literature is shaped to focus upon vulnerability that includes a number of EDI strands. Cooking safety is a key area of focus during quarter 3 and has been shaped to particular demographic audiences for appropriate delivery at district level</p>

				2019/20 LFRS campaign calendar created inclusive of the EDI strands. District level intelligence profiles issued to CPM's to ensure local level activity is effectively tailored to meet geographical variances.
Use a wide range of communication channels ensuring our safety messages meet the different needs of our communities in terms of timing of the campaign and types of risk.	Reduction in KPI activity.	Head of Corporate Communications	Completed	<p>Annual campaigns and events calendar sets out activity for the year. August 2018: Large cooking campaign, LFRS is targeting homes in the areas where there are most incidents and where common demographics/lifestyle factors put people at higher risk: Hajj Safety Campaign 1-19/8 & Eid 20-26/8 Sikh Festival – Birthday of Guru Nanek Campaign 1/11 and Festival 22/11 Diwali – Festival of Lights 9/10, December – March: the Winter campaign was focussed on fuel poverty to reduce heating related fires which are the fourth most common type of accidental dwelling fires (ADFs).</p> <p>The campaign focussed on older people living alone including those living in sheltered housing, low income families and people living in multiple occupancy houses (HMOs)</p>

Engage with young people in vulnerable areas through our engagement programmes with the Princes Trust. Deliver a range of activities to the diverse needs of Lancashire's young people.	High levels of population of PT programmes which is representative of the District.	Head of Service Delivery	Completed	Monitoring of those attending the Princes Trust has been established and suggests that programme delivery is broadly representative of Lancashire's communities as a whole.
Community knowledge and engagement: Using Information Engagement with communities Customer/Public Satisfaction				
Collecting and Analysing and Using Information				
Improve understanding of the demographic breakdown of our areas, station by station.	To ensure our services meet the needs of our diverse communities	Lead Officer for LGBT	Completed	This data is included with the District profiles created by the CPI Section and issued to each CPM for inclusion within the District Plans.
Gather lessons learnt information from previous EDI activity, both internally and externally	To ensure our services meet the needs of our diverse communities	Lead officer for LGBT	Completed	<p>LFRS met with Officers in Brighton and London to learn from their experiences in terms of attending Pride events.</p> <p>LFRS liaised with Humberside to learn from their good practice in terms of engaging with the LGBT community.</p> <p>LGBT leads attended the first national NFCC hosted LGBT network conference by Tyne and Wear FRS December 2018.</p>

Attend Pride events in 2018 at Blackpool, Preston, Lancaster and Manchester and promote LFRS recruitment at all 4 events. Further prevention campaign related activity to be delivered at the 3 in-county events.	To promote LFRS as a diverse employer and provider of Services To make our diverse communities safer	Lead officer for LGBT	Completed	LFRS was represented at Lancaster Pride, Blackpool Pride, Manchester Pride and Preston Pride. Following evaluation it is proposed that this is continued into 2019/20. Liverpool Pride to be attended at 2019 by LGBT representatives with a view to possible LFRS inclusion. A number of charity events have been organised by the LGBT Group including a Charity Fire Engine Pull.
Identify a vehicle which can be wrapped and used to promote LFRS' LGBT positive action.	To promote LFRS as a diverse employer and provider of Services To make our diverse communities safer	Lead officer for LGBT	Completed	A vehicle has been wrapped and the vehicle is being used to attend Pride events and also other events to promote LFRS LGBT positive message. The vehicle has been requested and utilised at a number of station open days, RDS recruits events and 10km FF Charity running events. It's use in mainstream activities appears to have been embedded in addition to its core use as a training vehicle at STC including use at all passing out parades, positive action events and physical assessment days.
Utilising technology identify and map our key partners/agencies/persons that can improve our understanding. Develop consultative arrangements and further explore collaborative opportunities within the multi-agency practices, examples being Lancashire Constabulary LGBT network.	To ensure our services meet the needs of our diverse communities	EDI leads	Completed	Women & Families Group have established a number key groups to engage with including: Women in the Fire Service, He For She and LanCon. The LGBT employee voice group have established a network including other Fire Services, Public Sector and Other organisations.

				<p>Consultation event hosted at N11 Lancaster with representatives from “Out in the Bay”. Key partners evaluated and work is ongoing with LANCON and other Lancashire based LGBT organisations.</p> <p>Race and Religion Employee Voice Group is currently working with Local Authorities to obtain data to map emergent communities including asylum seekers and refugee families to improve targeting of prevention activity and seeking to engage where networks exist.</p>
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Equality Objectives: Our Workforce

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

What we will deliver	How it will be achieved	Measure of Success	Owner	Target Date	Progress update
Employment Health and Wellbeing Strategy and Policy Monitoring Recruitment and Selection Training and Progression					
Refresh the LFRS Workforce Plan Review existing EDI data to define baseline of evidence in relation to our workforce	Identify any key trends in relation to the workforce To recruit, promote and retain a workforce which is diverse which meets the needs of the community we service		Head of Human Resources	Completed	Workforce Plan 2018 considered and agreed by Exec Board and Workforce Development Board June 2018. No areas of risk identified. Recruitment of apprentices or wholetime commenced March 2019, subject to either LFRS becoming a preferred provider or a subcontractor.
Develop the Equality, Diversity and Inclusion Annual Report	Workforce Monitoring takes place with a view to analysing trends and inform decisions and policy development.		Head of Human Resources	Completed	The EDA Annual Report has been presented to Members. Planning for 2019/2020 now commencing.

Undertake a gap analysis of the Stonewall Workplace Equality Index	The framework helps organisations to review and improve their performance for people with a characteristic protected by the Equality Act	Head of Service Development	Completed	LFRS has joined the Stonewall Diversity Champions Programme Human Resources have reviewed all existing HR policies with a viewing to adopting gender neutral terminology and these have been sent to Stonewall for consideration. Key objectives from Stonewall have been agreed and work completed with regards to formalising the LGBT network and reviewing policy documents. Review of the benefits to be carried out after 19 February conference call with Stonewall Client Manager.
Review opportunities for making existing shift patterns more flexible to meet the needs of families	A workforce which feels inclusive and is more engaged	Head of HR	Completed	Further to a trial of flexible working pattern at Blackburn, exploring if there is appetite to consider elsewhere. Introduced flexible day crewing at all of the 4 DC Stations.
Analyse Staff Survey results	Identify any issues from an EDI or cultural perspective associated with equalities	Head of Media and Comms	Completed	Currently underway. Results have been published in the Routine Bulletin and are available on the intranet. A report has been to Executive Board and Workforce Development Programme Board (WDPB) agreeing progression of project. The survey is a priority in this year's Annual Service Plan and will report to the Corporate Programme Board via the WDPB. The WDPB will oversee the consideration of results and agree actions and areas of responsibility. The terms of reference for the project have been agreed and a

				<p>number of deliverables have been identified and in the process of being delivered including:</p> <p>Promotion of numeracy and literacy college providers</p> <p>Availability of ICT development</p> <p>A range of skills based courses open to Green and Grey Book members of staff</p> <p>Apprenticeships as a route to development for Grey and Green Book members of staff.</p>
Update the induction to include an informal talk to groups of staff from under-represented groups	A workforce which feels inclusive and is more engaged	EDI leads	Completed	<p>A representative from the LGBT employee voice group now attends the wholetime and RDS induction informally over coffee break. WDS recruits course talk delivered by HOSDD and LGBT employee voice lead. This has now been moved from the end of the recruit course to week two in order to drive early impact. Sessions are embedded in business as usual for all WDS and RDS courses.</p>
Evaluate the benefits of dedicated Social Media Section, Facebook and Twitter on LFRS accounts	A workforce which feels inclusive and is more engaged	Lead Officer LGBT Lead Officer Race and Religion	Completed	<p>As of the November meeting LGBT Group has a Corporate Comms Team attendee. LFRS LGBT Twitter has grown to 653 followers and some limited DM interactions regarding "Have A Go Days" recruitment.</p> <p>Facebook reviewed and concluded that LGBT materials will be focussed through the LFRS account and not a dedicated account due to a lack of volume.</p>

<p>Develop a campaigns and events calendar including Equality Stand events to provide visibility to all staff.</p>	<p>A workforce which feels inclusive and is more engaged</p>	<p>Head of Media and Communications supported by EDI Leads LGBT Lead</p>	<p>Completed</p>	<p>International Women's Day March 8 2019 International Day of Families May15 2019 Dyslexia Awareness Week 4 October 2018 was used to promote the new Dyslexia Policy. EDI events embedded in LFRS campaign calendar for 2018/19 and updates for 19/20 collated. The calendar will be subject to consultation with the employee voice groups.</p>
<p>Engage and communicate with staff through:</p> <p>Regular engagement with FBU</p> <p>Support external diversity and inclusion networks which promote Equality, Diversity and Inclusion and share Information.</p> <p>Support the development of internal networks</p>	<p>A workforce which feels inclusive and is more engaged</p>	<p>Chief Fire Officer</p> <p>EDI Steering Group</p> <p>EDI leads</p>	<p>Completed</p>	<p>Two members of staff attended the AFSA Conference June 2018. Regular meetings taking place with FBU and two members of the Executive Board. Employee voice groups met in relation to LGBT, Women and Families and Race and Religion. Consultation Questionnaire for identifying barriers for Disabled members of staff has been developed and consulted on and issued week commencing 1.10.2018 as part of Inclusion week. Consultation questionnaire has been launched asking for the views of staff in relation to barriers and progression as a consequence of a disability. The Race and Religion employee voice group celebrated Diwali through a Diwali "Decorate your desk" competition raising</p>

				awareness of the religious festival. Members of the Group also visited the Gujarati Centre to join in the celebrations.
Review any actions required under the Positive About Disabled People Accreditation	A workforce which feels inclusive and is more engaged	Head of Human Resources	Completed	Human Resources developed a policy in relation to supporting employees with Dyslexia; this was promoted through Dyslexia Awareness Week, commencing 1 October 2018 and SMT November 2018. Further to completion of the Positive about Disabled People Accreditation, LFRS have assessed as at level 2 a Disability Confident Employer.
Actively promote the health and well-being of all staff in the workforce. Continue to deliver distress management and self-care training provision Service wide training Mental Wellness. Implementation of Trauma Risk Management (TRIM).	Improved awareness amongst staff and staff affected can readily identify triggers in selves and colleagues and access support services	Head of Safety Health and Environment	Completed	TRIM implemented and work is ongoing to embed this within LFRS.
Improve workforce fitness Deliver a health promotion campaign promoting healthy muscular skeletal health on Station	Improve workforce fitness	Head of Human Resources	Completed	3 PTI's attending Level 3 Adapting exercise for anti-natal and post-natal clients. 10 PTI's attending Exercise Referral Level 3 which covers osteoarthritis and osteoporosis. Sessions being delivered on

				<p>Station promoting muscular skeletal health and raising the profile of the accessibility of the physiotherapy service.</p> <p>A number of articles being published monthly via the Routine Bulletin on maintaining health muscular skeletal health.</p> <p>LFRS Fitness Advisor developed a guide and this is being promoted through LFRS Positive Action Events.</p>
Job Evaluate posts as per the National Evaluation Scheme.	Meet legislative requirements	Head of Human Resources	Completed	Posts are job evaluated where they change or where they are new posts.
Respond to the outcomes of the Gender Pay Gap Reporting requirements 2018	A more diverse workforce representative of Lancashire	EDI lead	Completed	Gender Pay Gap report completed 2017, work commenced re 2018 which will be reported in the EDI Annual Report
Review the outcomes of the previous recruitment campaigns gather lessons learned and use these to shape other positive action campaigns creating a one team approach	A more diverse workforce representative of Lancashire	All leads	Completed	Report presented to EDI Steering Group on the 21 June 2018 and Executive Board 19 July 2018 in relation to progression and fallout of candidates from under-represented groups. The report demonstrated that underrepresented groups maintained their performance throughout the recruitment process. Equality Impact Assessment has been developed developed in relation to the introduction of the new strength tests.

				Delivered a programme of positive action aimed at attracting a diversity of applicants for the March 2019 recruitment campaign.
Review the most successful mechanisms of engaging with underrepresented groups in relation to the positive action	A more diverse workforce representative of Lancashire	Head of Media and Communications	Completed	A full review of the positive action campaign which supported wholetime recruitment has been undertaken. This identified that face to face contact and social media were the two most successful ways of engaging with under-represented groups. The findings will be used to inform future recruitment activity.
Increase the number of apprentices	A more diverse workforce representative of Lancashire	Head of Human Resources	Completed	TOR become a training provider with a view to delivering operational firefighter apprenticeships. Recruitment to apprentices to any scale 4 post is continuing where a vacancy arises and where there is a business need for the post. Two further apprentices recruited to Human Resources and one within Service Development.
Develop a strong organisational culture where our values are understood	Strengthen leadership and line management to support organisational change Embed our cultural values and behaviours Provide excellent	Head of Human Resources	Completed	Leadership Development Event delivered in April and June 2018 Watch Managers attended development April and June 2018 in terms of their preferential leadership style. Crew Managers Leadership Development planned and trainers has been delivered.

	training to ensure continuous improvement of our services			<p>External coaching tender been launched, coaches interviewed and appointed, external coaching now available.</p> <p>Further to feedback from employees and the development of a national Leadership Framework by the NFCC a Leadership Framework for Lancashire has been developed this will be used to recruit and develop leaders within LFRS.</p>
Review existing ILM level 3 and 5 programmes in light of collaboration opportunities and the availability of the apprenticeship levy	<p>Improve the leadership styles of line managers</p> <p>All staff are aware of their own unconscious bias and how it can influence their decision making.</p>	Head of Human Resources	Completed	<p>Meeting with Lancashire Constabulary took place April 2018. Head of HR and OD Business Partner reviewing how development could be delivered collaboratively at the Hydra and at Lancaster University. The Hydra is a useful tool to engage learners. LFRS agreed to continue with existing arrangements 2018/2019 for ILM Level 3 and 5</p>
Review progression of underrepresented groups	<p>Improve progression of Minority Groups through LFRS</p>	Head of Human Resources	Completed	<p>A paper on talent management has been considered for Workforce Development Board. This action will feature in 2019/2020.</p>
Develop a menopause policy	<p>Support those living with the menopause, increase retention.</p>	Head of Human Resources	Completed	<p>Menopause Policy developed and updated in light of consultation and implemented May 2018</p>

Equality and Diversity Action Plan for 1.4.2019 – 31.3.2020

Equality Objectives: Our Communities

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

What we will deliver	Measure of Success	Owner	Target Date
Present the EDI Annual Report to the Fire Authority.	Members are aware of their commitments and accountabilities under the Policy	Chief Fire Officer	1.9.2019
Reduce accidental fires in the home through targeting those people who are at risk due to a range of factors including age, disability and lifestyle.	Reduce accidental fires 1.3 Accidental Dwelling Fires 1.4 Accidental Dwelling Fire Casualties	Heads of Service Delivery	31.3.2020
Work with at risk groups and local partners to contribute to the reduction and severity of road collisions in Lancashire. Young People are particularly at high risk of being killed or seriously injured.	Reduce road traffic accidents	Head of Service Development	31.3.2020
Ensure our services are accessible and meet the needs of people in the community by ensuring that fire prevention material is linked to a range of risks including cultural risks.	IRMP is informed by disaggregated data and takes into account differential impacts and varying needs	Head of Service Development	31.3.2020
Use a wide range of communication channels ensuring our safety messages meet the different needs of our communities in terms of timing of the campaign and types of risk.	Reduction in KPI activity.	Head of Media and Corporate Communications	31.3.2020

Support 17 th May 'Celebrating International Day against Homophobia, Biphobia and Transphobia' with a specific campaign delivered as a three Blue Light Collaboration.	Reduction in KPI activity.	ACFO	31.3.2020
Attend the Cheshire FRS hosted LGBT conference and evaluate the benefits of aligning to the emerging national LGBT FRS group.	Engaged communities who are confident in LFRS aim of keeping them safer	ACFO	31.3.2020
Attend Pride events in 2019 at Blackpool, Lancaster, Morecambe and Preston promoting LFRS Prevention and Protection work streams and also LFRS as an employer. Attend Manchester and Brighton to promote LFRS recruitment and to seek best practice.	Engaged communities who are confident in LFRS aim of keeping them safer	ACFO	31.3.2020
Evaluate the potential for a wrapped LGBT fire engine in the main fleet.	Engaged communities who are confident in LFRS aim of keeping them safer	ACFO	31.3.2020
Continue to identify and map our key partners/agencies/persons that can educate us and improve our understanding. Develop consultative arrangements and further explore collaborative opportunities within the multi-agency practices, examples being Lancashire Constabulary LGBT network.	Achieve efficiencies in engaging with our communities in achieving our aim of keeping them safer.	ACFO	31.3.2020
Ensure the new website complies with New Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018 which will ensure that information is accessible	An inclusive website and apps that meet the new accessibility standard Achieve Web Content Accessibility Guidelines (WCAG) 2.1 Level AA standard for external websites	Head of Media and Comms	27.9.2019

Equality Objectives: Our Workforce

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

What we will deliver	Measure of Success	Owner	Target Date
Refresh the LFRS Workforce Plan Review existing EDI data to define baseline of evidence in relation to our workforce	Identify any key trends in relation to the workforce To recruit, promote and retain a workforce which is diverse which meets the needs of the community we service	Head of Human Resources	31.8.2020
Develop the Equality, Diversity and Inclusion Annual Report	Workforce Monitoring takes place with a view to analysing trends and inform decisions and policy development.	Head of Human Resources	30.6.2020
Undertake a gap analysis of the Stonewall Workplace Equality Index	The framework helps organisations to review and improve their performance for people with a characteristic protected by the Equality Act	ACFO	31.3.2020
Review opportunities for making existing shift patterns more flexible to meet the needs of families	A workforce which feels inclusive and is more engaged	Head of TOR	31.3.2020
Engage and communicate with staff through: Regular engagement with FBU and Unison Support external diversity and inclusion networks which promote Equality, Diversity and Inclusion and share Information. Support the development of internal networks Use employee voice groups as a mechanism for consultation on key issues affecting employees	A workforce which feels inclusive and is more engaged	Chief Fire Officer EDI Steering Group EDI leads	31.3.2020

Job Evaluate posts as per the National Evaluation Scheme.	Meet legislative requirements	Head of Human Resources	31.3.2020
Respond to the outcomes of the Gender Pay Gap Reporting requirements 2019	A more diverse workforce representative of Lancashire	Head of Human Resources	31.3.2020
Review the outcomes of the previous recruitment campaigns gather lessons learned and use these to shape other positive action campaigns	A more diverse workforce representative of Lancashire	Head of Human Resources	31.3.2020
Increase the number of apprentices	A more diverse workforce representative of Lancashire	Head of Human Resources	31.3.2020
Consult with communities on barriers to working for the Service and how these can be addressed	A more representative workforce	Head of Media and Communications	31.3.2020
Develop a strong organisational culture where the behaviours of our leaders are understood and championed with a view to embedding our values.	Strengthen leadership and line management to support organisational change	Head of Human Resources	31.3.2020
Review progression of under-represented groups	Improve progression of Minority Groups through LFRS	Head of Human Resources	31.3.2020
Complete a Scoping of the Blue-Light Framework	A resilient workforce able to respond to change	Head of SHE	31.3.2020
Evaluate the potential benefits of EDI Volunteers as a part of the LVP Volunteer offer.	A more diverse workforce and diverse communities focused on LFRS aim of making Lancashire Safer	ACFO	31.3.2020
Increase the numbers of LGBT staff who are open in the workplace.	A more diverse workforce	ACFO	31.3.2020
Increase the numbers and diversity of the LGBT employee voice group to include area based, SHQ and STC based LGBT reps and develop close working with the newly appointed FBU LGBT rep.	An engaged workforce who feel valued and who can positively contribute to making LFRS a better place to work.	ACFO	31.3.2020

Support relevant campaigns promoting awareness of issues impacting on minority ethnic communities: Dyslexia Awareness Week Support Autism Awareness Week He For She Campaign Menopause Awareness Month International Womens Day	A workforce who is engaged and feels valued and contributes to effective decision making	All EDI leads	31.3.2020
Support underrepresented groups fulfil their potential: Support staff to attend Women in the Fire Service	A diverse workforce at all levels of the organisations	Head of HR Head of TOR	19-21 June 2019
Use the employee voice groups as a mechanism of consultation	A workforce who is engaged and feels valued and contributes to effective decision making	EV Leads	31.3.2020
Review Special Leave arrangements	A workforce who is engaged and feels valued	Head of HR	31.3.2020
Update the Wholetime induction with a specific link to the employee voice groups inviting Green Book employees and RDS	A workforce who is engaged and feels valued	Head of TOR	31.3.2020
Develop opportunities to improve fitness for support staff	A resilient workforce able to respond to a changing environment	Head of TOR	31.3.2020
Encourage time to talk to improve health and well-being: Brew Monday	A resilient workforce able to respond to a changing environment	Head of SHE	31.3.2020
Service Fitness Advisor providing fitness guidance	A resilient workforce able to respond to a changing environment	Head of TOR	31.3.2020

Involvement of representatives from underrepresented groups in relation to any proposed changes to property: C50 E70 W37 W30 STC Facilities	A workforce who is engaged and feels valued	Head of TOR/Head of SD	31.3.2020
Explore flexible working opportunities within 224 stations	A workforce who is engaged and feels valued	Head of TOR	31.3.2020
Support pregnant or women on maternity leave through the availability of the Service Fitness Advisors or PTI's who have received additional training	A workforce who is engaged and feels valued	Head of TOR	31.3.2020

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LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 25 September 2019

ORGANISATIONAL DEVELOPMENT PLAN

(Appendices 1 and 2 refer)

Contact for further information:

Bob Warren – Director of People and Development – Tel No. 01772 866804

Executive Summary

The organisational development plan for 1.4.2018 – 31.3.2020 sets out the Service approach to technical training, formal qualifications, continuous professional development, leadership and management development.

Recommendation

The Authority is asked to note and endorse the Leadership Framework and Organisational Development Plan 2018-2020.

Information

The Organisational Development Plan (attached at Appendix 1) is part of the suite of human resources plans in addition to the Workforce Plan and the Equality, Diversity and Inclusion Annual Report explaining the interventions which support the achievement of Lancashire Fire and Rescue Service (LFRS) mission and values. The Plan explains LFRS' approach to technical, professional development and leadership ensuring that the Service develops staff with the right skills to support LFRS values and behaviours. Development of the plan takes into consideration the requirements of the National Fire Chief Council draft National Fire and Rescue People Strategy and the recommendations of the Inclusive Fire Service Group.

As part of the Corporate Planning process a PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis identified the changes, challenges and opportunities LFRS is facing and through this process there is a good understanding of the skills, capabilities and also the skills gaps that exist in delivering the Service at a leadership and operational level. The changing nature of the Service in terms of being a broader public sector partner, the complexity and type of incidents that staff may respond to, may need a different set of skills and capabilities.

The Service has recognised the importance of leadership as a driver for organisational improvement and managing change to support its aim of making Lancashire safer. Central to the development of leadership capability are LFRS values (Service, Trust, Respect, Integrity, Valued and Empowered) these sit at the heart of all leadership principles. They underpin all communication and implementation activity associated with leadership.

In defining leadership, LFRS has developed a Leadership Framework (attached at Appendix 2) which is aligned to that of the National Fire Chiefs Council, but which also focuses on those areas which have been identified as key to delivering improvements within Lancashire. LFRS already has established within its appraisal process a

behaviour matrix which supports Service improvement. In defining leadership, LFRS has refreshed the Fire Professional definition of leadership as it applies to LFRS: Effective leadership in Lancashire is about developing a vision for the future, as well as understanding the current needs of LFRS. Outstanding leaders are those who engage with others, energize them to overcome barriers, build confidence and trust and use coaching and support to deliver innovation, successful performance and great customer service. Leaders should be willing to challenge poor behavior wherever it occurs.

Understanding leadership is about setting positive, ambitious and a realistic future for the team, ensuring everything we do is linked to organizational plans and values and is for the benefit of the residents of Lancashire.

The Organisational Plan details the activity that has been delivered so far and that which will be delivered over the next twelve months in terms of delivering the Service ambitions in terms of leadership, organisational culture, professionalism and technical ability.

Business Risk

There are no business risks arising from the report

Environmental Impact

There are no environmental impacts arising from the report

Equality & Diversity Implications

An initial Equality and Diversity Impact Assessment has been developed in relation to the Organisational Development Plan and this has not identified any equality, diversity implications arising from the report.

HR Implications

There are no human resources implications arising from the report.

Financial Implications

There are no financial implications arising from the report.

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

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

**LFRS
Organisational Development Plan
2018-2020**

1.0 Policy Context of the Organisational Development Plan

Lancashire Fire and Rescue Service (LFRS) is committed to its purpose of “making Lancashire safer.”

The Services’ annual priorities as detailed in our Annual Service Plan 2018 and the Service’s Integrated Risk Management Plan 2017 - 2022 explain LFRS’ vision in terms of how we will achieve this mission of “making Lancashire safer”. The Organisational Development Plan is part of the suite of human resources plans in addition to the Workforce Plan and the Equality, Diversity and Inclusion Annual Report which explain the interventions which will take place to support the achievement of LFRS mission and values. Ensuring the Service develops staff with the right professionalism and skills and who demonstrate LFRS cultural values and behaviours. It flows from the overarching strategic plans of LFRS and links people management into the operational business process. Development of the plan has taken into consideration the requirements of the NFCC draft National Fire and Rescue People Strategy and the recommendations of the Inclusive Fire Service Group.

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

- Service: Making Lancashire safer is the most important thing we do.
- Trust: We Trust the people we work with.
- Respect: We respect each other.
- Integrity: We do what we say we will do.
- Value: We actively listen to others.
- Empowered: We contribute to decision making and improvements;

In light of the changing environment in which we operate and the need for a workforce that is equipped to support these changes; one that is confident in its abilities, has adaptable skills and is able to act with authority and responsibility. We are focused on the development of a strong organisational culture based on clear values and leadership.

2.0 Lancashire Fire and Rescue Service

The Lancashire Combined Fire Authority (CFA) is responsible for leading and supporting Lancashire Fire and Rescue Service. The Service employs in the region of 1304 FTE employees in a variety of roles including operational fire fighters, administrators, fire safety, business support and managerial staff, 75% of the Service are employed in a role linked to operations. ¹.

As a Fire and Rescue Authority, LFRS has a statutory and policy framework which details its key functions:

- Prevention and Protection: To prevent fires from happening and protecting people and property, when fires occur.
- Response: LFRS responds to emergencies quickly and competently,
- Local and National Resilience: LFRS has the necessary capabilities in place to manage local risks identified in the Strategic Assessment of Risk. When required the Service works with assets from a range of category 1 and category 2 responders in the County as well as National Resilience assets to supplement Decontamination, Pumping, Urban Search and Rescue, Boats and Chemical Detection and Identification.

¹ This figure is based on officers with an operational element to their role as at March 2018

The objective of the Organisational Development Plan is to:

- (i) Ensure the workforce has the necessary qualifications, knowledge, skills and abilities to deliver its objectives now and in the future.
- (ii) Develop a strong organisational culture where our values are understood.
- (iii) Develop our leaders and explain how we will identify and support talented individuals within the Service to fulfil their potential.
- (iv) Expand apprenticeship opportunities.
- (v) Provide transparency in explaining how and why LFRS delivered training, 1.4.2018 – 31.3.2019 and our planned training and development for 1.4.2019 - 31.3.2020.

LFRS identifies organisational development as “a planned and systematic approach to enabling sustained organisational performance through the involvement of its people”². LFRS identifies itself as a learning organisation; one which learns and encourages learning amongst its staff.

3.0 Training and Operational Review (TOR)

TOR is led and managed by the Head of Training and Operational Review, reporting to the Director of Service Delivery, the Deputy Chief Fire Officer. The role of TOR is to develop, commission and provide training based on the evolving learning needs identified in the Integrated Risk Management Plan. The pastoral care of learners within TOR is a high priority and it aims to provide support, encouragement and information. Progress and regular feedback is provided to learners so that they have the opportunity to achieve their personal best. TOR emphasises positive attitudes and relationships based on mutual respect. TOR is committed to creating and maintaining the ideal learning environment for its learners ensuring that it is inclusive and all learners’ needs are met.

LFRS has its own comprehensive training facility located at Chorley. Complex operational training, which requires particular facilities such as live fires, is delivered at this location; however where possible, training is delivered using a dispersed approach at Fire Stations and other locations throughout the County, in an attempt to minimise travelling and maximise appliance availability. This approach also recognises the mix of operational duty systems, one of which being the On-Call System which comprises some 400 staff who attend training one evening a week for around two hours, at their own station.

TOR delivers training via its own team of Service, Area Based and Associate Trainers, through commissioning external specialists and via sourcing courses from suitable providers. All LFRS Service Trainers complete the Level 3 Certificate in Education and Training (PTTLS) as well as the Assessing Competence in the Work Environment (Level 3). TOR’s has made a successful application to become an Employer Provider to deliver high quality apprenticeships.

3.1 PDRPro

PDRPro is used to record and monitor individual and organisational competence. As part of this integration of the electronic system, a revised approach to the forward planning of training has been adopted following a Core Skill Thematic Plan, which identifies individual elements to be completed each month. Initial training secures skill/knowledge acquisition but, given the safety critical nature of Fire Service activity, is supported by a robust maintenance of skill system known as PDR Pro. This system attributes frequencies to specific skill and tracks individual employee performance and emerging learning needs. To drive efficient training practices the system is linked to a thematic

² CIPD 2016

training plan and an exercise schedule which ensures realistic and engaging training at risk sites across the County.

3.2 LearnPro

TOR manages the Service's online e-Learning system, LearnPro, which is now used by all staff, both operational and business support for initial knowledge acquisition and maintenance of skills. The system contains a number of modules, developed internally, but in collaboration with other regional Fire Services and National sharing platforms, which are allocated to individuals based on their role. When required, the module can be accompanied with a knowledge assessment to validate acquisition.

4.0 Qualification Requirements for posts within LFRS

Recruitment to all posts is based on an employee specification which identifies essential qualifications, experience, knowledge, skills and abilities.

4.1 Business Support roles

In the event of the post changing in nature and further qualifications become essential to a post, this would be identified through the appraisal. Staff can ask for support in achieving further qualifications and development to support them in their current role, or their future leadership or promotion aspirations which will be considered in accordance with workforce planning needs.

4.2 Operational roles

As the nature of operational risk becomes more complex, maintenance of skills becomes more challenging. In relation to operational staff the following qualifications are relevant to role based competency.

Firefighter role: The FF Development Pathway is constructed around the National Occupation Standards relevant to the role. For Wholetime staff the pathway is completed in two years. For firefighters who work the retained duty system, the pathway takes four years, but this can be accelerated based on candidate commitment and availability to undertake additional training hours. The Service has become accredited to be training provider to deliver high quality firefighter apprenticeships and these will be delivered in accordance with the apprenticeship standard with effect from September 2019.

Specialist FF roles: After achieving competent status, subject to posting, Wholetime FFs and Firefighter apprentices (who have successfully completed their apprenticeship) can then take on additional specialist skills which include:

- Urban Search & Rescue Team members and High Volume Pump Operators receive additional training accredited to the National Resilience standards.
- Aerial Ladder Platform, Water Tower, Foam Unit, Command Unit, Hazardous Material & Environmental Protection Unit, Wildfire Units, BA Unit Operators are trained by LFRS Trainers.
- Polaris and Softrack drivers are trained to Industry Standard
- Rope Rescue Team operatives are trained to Industry Standards
- Swift Water Rescue and Boat Operators are trained to RYA and DEFRA standards
- Large Animal Rescue operatives are trained to sector standards

Wholetime Supervisory Roles (Crew and Watch Manger): To become a Crew Manager, the competent FF who is in frequency for Incident Command; (acquired through attending an IMP Safe to Command (inc Section 3) or ICL1 revalidation course can apply for supervisory selection and development via the Crew Manager Promotion Board which comprises application form, Quicksift and interview. To achieve substantive promotion the successful development candidates are expected to demonstrate competence in the workplace through acting Crew Manager posting/s and completion of; two Institution of Fire Engineers Level 3 Certificate Papers (Engineering Science and Operations), an Institute of Leadership and Management Level 3 qualification, plus the following areas of development: Coaching and Mentoring, Performance management, Confident Conversations, Social Media, an IOSH Managing Safely course, a one day SHE LFRS course, Level 2 Skills for Justice Introduction to Fire Investigation and Community Safety Management qualification.

To become a Watch Manager the Competent Crew Manager who is current in Incident Command including an active command licence, who meets the essential criteria and has completed the aforementioned development pathway attends the Watch Manager Promotion Board (consisting of application form, SHL tests and interview).

Wholetime Middle Manager Roles (Station and Group Managers): Competent Watch Managers can apply to be a Station Manager via successful completion of the Middle Manager Promotion Board (comprising application form, SHL tests, Assessment Centre and interview). Those who are successful embark on a Potential Middle Manager Development programme which includes two papers of the IFE level 3 Diploma (Operations and Engineering Science), ICL 2 Incident Command Course, Fire Investigation Scene Management, Project Management, Rope Liaison and Ship Liaison. Candidates also have to successfully complete an Emergency Response driving course and ILM level 5; candidates who have not already completed the softer skills development as part of the supervisory development programme are required to complete any gaps in their development. Developing candidates are offered acting up opportunities to develop competence/experience in middle manager roles. Further to acting up, permanent appointments are made by Executive Board led interviews.

To progress from Station to Group Manager roles, candidates are offered acting up opportunities to develop competence in suitable roles and appointments are made periodically by Executive Board led interviews. Additional development is offered based on appraisal and role based needs, but all Group Managers are required to pass the ICL 3 Incident Command Course

Training roles: These can be held at any Wholetime FF and Supervisory rank (FF, CM, WM) and include additional role based qualifications as listed below. On-call staff are able to apply for these roles, but it is recognised that only a few are able find sufficient time to attend the required training to develop and maintain these skills (when balanced against primary employment and family life):

- Award in Education and Training Level 3
- Assessing Competence in the Workplace Level 3 (formally TAQA)
- Internal Quality Assurance of Assessment Processes Level 4
- Breathing Apparatus Instructor (BAI)
- Road Traffic Collision Instructor (RTCI)
- Compartment Fire Behaviour Instructor (CFBTI)
- Positive Pressure Ventilation Instructor (PPVI)
- Large Animal Rescue Instructor (LARI)
- Swift Water Rescue Instructor (SRTI)
- Physical Training Instructors Level 2
- Physical Training Instructors Level 3
- Special Appliance Instructors;

- High Volume Pump (HVP)
- Hazardous Material Unit (HMU)
- Rope Rescue Instructor (RRI)
- Confined Space Instructor
- Safe Working at Height Instructor
- Aerial Ladder Platform (ALP)
- Multi Terrain Vehicle Instructor
- Quad Bike Instructor
- Boat Instructor

Specialist roles: These are additional skills which are attainable once an individual is competent in role. These can be held at any Supervisory and Middle Management rank (FF, CM, WM, SM, GM) and, include additional role based qualifications including;

WMB Incident Intelligence Officers

- Advanced Fire Investigator (Level 5 UCLAN)
- Advanced Professional Award in Expert Witness Evidence (APAWE)
- Civil Aviation Authority accredited Unmanned Ariel Vehicle Pilot training
- Level 3 Certificate in Fire Safety (SFJ)

Fire Protection Staff

- Business Safety Advisor (CM or Green Book) Level 3 Certificate in Fire Safety (SFJA)
- Inspecting Officers (WMA or Green Book) Level 4 Diploma in Fire Safety (IQ Awards)
- Team Leader (WMB) Level 5 Diploma in Fire Safety (SFJ) or equivalent

Station Manager

- Water Incident Management (Rescue 3)
- Hazardous Materials Environmental Protection Officer (HMEPO)
- Radiation Protection Supervisor
- National Incident Liaison Officer (NILO)
- National Resilience Tactical Advisor
- Command Support Room Officer

Group Manager

- National Incident Liaison Officer (NILO)
- Water Incident Management (Rescue 3)
- Project Management (not accredited)
- Radiation Protection Supervisor
- Airwave Tactical Advisor

5.0 Review of Organisational Development: 1.4.2018 – 31.3.2019 and areas of development priority: 1.4.2019 – 31.3.2020

As part of the corporate planning process a PESTLE identifies the changes, challenges and opportunities LFRS is facing. Through this process there is a good understanding of the skills, capabilities and also the skills gaps that exist in delivering the Service at a leadership and operational level.

5.1 Leadership and Management

5.1 (i) LFRS approach to Leadership and Management - Leadership Framework

LFRS has recognised the importance of leadership and has developed a leadership framework which is aligned to that of the National Fire Chiefs Council but which also focuses on those areas which

have been identified as key to delivering improvements within Lancashire. LFRS has already established within its appraisal process a behaviour matrix which supports Service improvement. In defining leadership, LFRS has refreshed the Fire Professional Framework definition of leadership as it applies to LFRS:

Effective leadership is about developing a vision for the future, as well as understanding the current needs of LFRS. LFRS recognises outstanding leaders as those who engage with others, energize them to overcome barriers, build confidence and trust and use coaching and support to deliver innovation, successful performance and great customer service. Leaders should be willing to challenge poor behavior wherever it occurs.

It is recognised that the changing nature of the Service in terms of being a broader public sector partner, the complexity and type of incidents that staff will respond to, may need a different set of skills and capabilities. Central to the development of leadership capability are LFRS values (Service, Trust, Respect, Integrity, Valued and Empowered) which sit at the heart of all leadership principles. They underpin all communication and implementation activity associated with leadership.

Understanding leadership is about setting a positive, ambitious and realistic future for the team, ensuring everything we do is linked to organisational plans and values and is for the benefit of the residents of Lancashire. Developing leadership is about establishing an ethos of continuous professional development to deliver high quality services with an outcome focused approach, developing people to achieve their fulfil potential. Displaying leadership is about engaging with staff, valuing the health and wellbeing of staff and valuing different views, ideas, knowledge and skill sets.

5.1 (ii) LFRS approach to Leadership and Management – Formal Qualifications

Further to evaluation, the Service confirmed ILM level 3 as an appropriate qualification for those in a supervisory role and an ILM level 5 for those in a middle manager role. TOR delivers these programmes to existing to Managers as part of the Supervisory and Middle Manager Development Programmes. In addition, those who undertake the Supervisory Development Programme undertake additional development in relation to Coaching, Performance Management, Confident Conversations and Social Media. These same sessions are available to Middle Managers where they have not previously accessed the development.

During 2018/2019, the Service supported 15 Grey Book members of staff to access ILM level 3 and 11 Grey Book members of staff access ILM level 5. Those in a leadership role can apply and are supported subject to resources being available to undertake additional development in relation to leadership. During 2018, one Area Manager was supported to attend the Fire Service College Strategic Leader programme and another, the Senior Leader Master's Degree Apprenticeship at Lancaster University. One Station Manager was supported to undertake CMI Level 7 Strategic Leadership & Management.

The Service recognises that formal qualifications are just one strand in relation to the development of our leaders and the following courses were offered and attended to develop the softer skills of those in a managerial role:

5.1 (iii) LFRS approach to Leadership and Management – Coaching

During 2018/2019, a one day development day on coaching was made compulsory for those attending the Supervisory Development Programme. In addition, during 2018/2019 LFRS launched external coaching. 23 members of staff have accessed external coaching; 14 Operational members of staff and 9 support members of staff, and a full evaluation is planned for September 2019.

5.1 (iv) LFRS approach to Leadership and Management – Mentoring

LFRS has recognised that it needs to provide a safe environment where an individual can share issues that affect his or her development. Line Managers will deal with specific learning goals and competencies; however the mentoring process seeks to focus beyond those areas including developing self-confidence. Mentors are available to those on the Potential Middle Manager Development Programme. New firefighters are also paired up with a mentor for the duration of the Firefighter Development Programme. During 2018/2019, 29 members of staff accessed a coaching and mentoring course, 18 of these were operational members of staff and 11 were support members of staff.

5.1 (v) LFRS approach to Leadership and Management – Leadership Development Event

Further to feedback from participants from our last leadership conference we have developed our conference into a leadership development event. During 2018, we focused development on our Crew Managers who attended development sessions on having difficult conversations. In addition, during 2019 we evaluated our approach to leadership and development and further to the appointment of a new Chief Fire Officer, will be focusing on the development of our Executive and Senior Leadership Management Team through a leadership development day, establishing the impact they have on our organisational culture and providing an opportunity for them to share their priorities and understand each other, with a view to making a more cohesive team focused on supporting LFRS to achieve its objectives.

5.2 Performance Management

During 2018, the Service undertook extensive consultation in relation to its performance management arrangements with a view to making the process more meaningful for staff. The documentation associated with performance management is being revised and will be implemented during 2020 to ensure there is a focus on the appraisal conversation, and this will be supported by the implementation of an online tool for recording those conversations and training and development.

5.3 Equality, Diversity and Inclusion

Further to the development on ELearning in relation to Equality, Diversity and Inclusion we will continue to ensure that all members of staff complete the training and identify any further requirements throughout the year through the Equality, Diversity and Inclusion Steering Group.

5.4 Use of New Technology

Through LFRS approach to project management we will ensure training needs are fully considered prior to the utilisation of new technology. Further to identifying digital skills as an area of development for our staff we have promoted the availability of Microsoft Office Learn Pro modules via the intranet and we have promoted the availability and accessibility of courses in relation to Microsoft Office. We will continue to do this during 2019/2020.

5.5 Wellbeing and Support

LFRS has a strong commitment to staff morale and wellbeing at all levels of the workforce. With change comes uncertainty and there is a need for staff to be resilient and able to respond positively to that change. The focus during 2018/2019 has been to embed Trauma Risk Management (TRIM), this has been achieved through the staff from Safety, Health and Environment Department attending briefings with staff. TRIM refresher training has also been delivered to TRIM Practitioners. The

Service continues to promote its employee assistance scheme and has access to specialist psychological trauma therapy. Recognising that muscular skeletal issues are the highest cause of sickness absence the Service physiotherapist ran a total of 20 workshops on Station promoting how to maintain your muscular skeletal health. Information is being made available to staff and guidance is being promoted via the LFRS intranet. During 2019/2020, the SHE Advisor and the Service PTI will be delivering Workplace Wellbeing Tool box talks which will be an opportunity to further raise awareness of TRiM, embed the Employee Assistance Programme, share best practice on managing PPE contaminants and promote physical and mental health wellbeing.

5.6 Safety, Health and Environment

Our programme of development in relation to Safety Health and Environment will continue as last year. All new employees, as part of their induction training, are required to complete Safety, Health & Environment training according to their role. Non managers complete the British Safety Council General Health Safety & Environment E-Learning Module. Line Managers complete the IOSH Managing Safely via E-Learning or face to face delivery as preferred followed by a one day course delivered by the Service's Safety, Health and Environment Department covering LFRS-specific SHE policies and procedures. All employees are required to complete SHE refresher training three-yearly and this is delivered by e-learning on the Service's LearnPro system.

Training completed in the year April 2018 - March 2019 included;

BSC General Health Safety & Environment Awareness
IOSH Managing Safely (LearnPro or face to face)
SHE Refresher led by SHE staff
IOSH Leading Safely
LFRS Managing SHE Refresher (LearnPro)
LFRS SHE Refresher (Non operational LearnPro)
LFRS SHE Refresher (Operational LearnPro)
Distress Management & Self Care (MIND)
LFRS Stress Management (LearnPro)
TRIM refresher training for TRIM Practitioners
Area Based Specialist Instructor Training
Princes Trust Team Health and Safety Awareness

Work has also been undertaken to raise health and safety awareness to the Princes Trust and Area Based Specialist Instructor Training has been delivered.

5.7 Safeguarding:

A safeguarding awareness training event was delivered 26 June 2018 facilitated by the AftaThought actors to bring to life various safeguarding scenarios and outcomes.

5.8 Development needs for Support staff

Our Staff Survey identified that there were some concerns from support staff in relation to access to development opportunities. Further to exploring this further it was identified that more work needs to be undertaken in publicising existing development opportunities and this will be delivered through 2019 by exploiting new opportunities on the new intranet. In addition, further to consultation with Senior Management Team a range of areas of development were identified and a development programme was delivered during 2018/2019 including:

- Strength Based Coaching to Build Confidence and Resilience.
- Providing Great Customer Service Using the Art of Open Communication; Assertiveness and

- having Difficult Conversations.
- Managing and Facilitating Effective Meetings.
- Effective Decision Making and Problem Solving.
- Conflict and How to deal with it.
- Making the best use of your time.
- Report Writing.
- Using Word, Excel and PowerPoint.

5.9 Prevention

Community Safety Advisors progress through a development portfolio which is structured for all new starters to complete; this has been updated this year to include mandatory training to ensure consistency across the Protection Service. During 2018/2019, the Service delivered a Prevention Seminar on 10 July 2018 aimed at managing changes and issues. A further session was delivered 2 April 2019 which will include an update on Adverse Childhood Experiences, the four thematic groups, Safeguarding and Building Personal Resilience. An additional session planned for 12 November 2019 will focus on drug and human trafficking with all partner agencies.

5.10 Protection

5.10 (i) Foundation in Protection Training

During 2018/2019, the Protection Department will deliver 35 full day training sessions to develop Operational Crews' knowledge of Protection in line with recommendations made by the NFCC Competency Framework Document.

The session covers the following subjects:

- Legislation
- Compartmentation
- Evacuation Strategies
- SIFS incidents
- Fire Detection and Emergency Lighting
- Facilities to Assist Fire Fighting
- Fire Doors and Glazing

This is stage one of an approach that will also include in depth toolbox talks on each of the subjects above which will be delivered in Area by the Protection Department. Each element will be assessed using the LFRS LearnPro electronic learning package until formal accreditation can be provided that will incorporate National Occupational Standards (yet to be established).

5.10 (ii) Level 3 Certificate in Fire Safety (Auditors)

Business Support Advisors, new Fire Safety Inspectors and Incident Intelligence Officers have attended this course facilitated by GMCFRS. Course particulars and coursework are provided by XACT and accreditation is provided by Skills for Justice Awards.

5.10 (iii) Level 4 Diploma in Fire Safety (Fire Inspectors)

Inspecting Officers have attended this course facilitated by GMCFRS. Course particulars and coursework are provided by XACT and accreditation is provided by IQ and Ofqual.

5.10 (iv) Level 5 IFE Diploma in Fire Engineering Design

Team Leaders and Protection Support Officers WMB's have attended this course. Course particulars and coursework are provided by XACT and accreditation is provided by the IFE and Ofqual.

5.10 (v) Fire Safety at Sports Grounds

Inspecting Officers with sports grounds in their areas attended a Seminar in Leeds hosted by the Sports Grounds Safety Authority. Whilst LFRS are not the enforcing authority in this type of premises, it was felt that the Inspecting Officers would gain experience and networking opportunities.

5.10 (vi) Advanced Professional Certificate in Legal Skills in Investigation (APCIL)

Two Protection Support Officers will have attended the above course by the end of 2019. This course is hosted by Nottingham Fire and Rescue Service. The training is provided by Legal Experience Training Ltd accredited by Pearson's. This qualification provides the successful candidates with a Level 7 BTEC. Having two Protection Support Officers with this qualification will provide resilience and support when compiling prosecution files.

5.10 (vii) Level 3 Legal Course (SFJ)

Inspecting Officers will attend this course as part of LFRS commitment to develop the legal knowledge and skills in the court processes when a prosecution takes place. The training is delivered by Warren Spencer and is accredited by Skills for Justice.

Plans for 2019/2020, is for all Inspecting Officers to achieve IFE accreditation in line with recommendations made by the NFCC Competency Framework Document, develop in-depth training modules for Operational Crews, develop the Inspecting Officers to Level 4 status and offer Level 3 development opportunities to staff new to the Department and existing staff. In addition, we will be looking to offer formal CFRMIS training further to the new version 6.3 being implemented.

5.11 First Aid and Trauma

A procurement process has commenced to award a contract for the provision of Clinical Governance, Trauma and First Aid training packages, trainer training and associated accreditation. The planned work for 2019/20 is to undertake a clinical governance review within the Service with a view to rolling out the new approach in the 2020/21 financial year.

5.12 Command and Control Training and Assessment:

Incident Command Training has been progressed over the last 12 months with the introduction of a new policy (TRA 06) and completion of an upgrade in IT equipment within the Incident Command Suite. The development of the Fire Studio Application and the use of software to further immerse candidates have had positive feedback.

The aims over the next 12 months are to upskill our Area Based Trainers to create a range of scenarios to develop and assess all levels of Officer within the organisation in line with national guidance and to continue to provide Officers who work the RDS duty system access to Incident Command themes workshops and progress FDO revalidation and CPD.

5.13 Driver Training:

2018/2019, has seen the recruitment of the new post of 'Driver Training Manager' which will improve not only our resilience in Driving School but enable Driver Training within LFRS to move forward on a number of different fronts from reviewing and updating package delivery, IQA of training delivery and paperwork (to meet Emergency Response Driver Training National Standards) and looking at ways to improve all user road risk. TOR Driving School provides training for a range of traditional and specialist driving activities including: light vehicles, winter driving, 4 by 4, LGV, LGV Specific, emergency response, trailers, Emergency Response driving etc.

The table below shows the training delivered April 2018 – March 2019

Course Type	Courses Delivered	Training Days
LGV Initial	13	65
Emergency Response Driver Training – Initial	13	65
Emergency Response Driver Training – Initial Officer & IIO	6	30
Emergency Response Driver Training – 6 Month Assessment (Officer, IIO & LGV)	19	19
Emergency Response Driver Training – LGV Refresher	68	68
Emergency Response Driver Training – Officer Refresher	23	23
4 x 4 Initial	5	5
4 x 4 Refresher	20	20
ALPS (introduction of new equipment)	1	1
Water Tower (introduction of new equipment)	3	3
Hose Layer Unit (introduction of new equipment)	2	4
Boat Trailer training (introduction of new equipment)	12	12
Wildfire Van (introduction of new equipment)	8	2
LGV & Special pass out assessment	10	5
Driver Training Mini Bus/Trailers and other ad hoc driver training for department specific needs	10	5

6. Apprenticeships

An apprenticeship combines employment and training. The Service supports the government 2020 vision for training a highly skilled workforce through an increase in the quality and quantity of apprenticeships in England. We aim to increase the number of apprentices we employ subject to the

availability of new national standards and to become an employer provider for firefighter apprenticeships. The lack of providers has impacted on the ability of the Service to meet the apprenticeship target.

LFRS has committed to all new entry vacancies up to scale 4 or below within Support Departments being considered for an apprentice. As at March 2019, LFRS had 11 apprentices in post, plus 2 existing members of staff undertaking apprenticeship training. A further 18 operational firefighter apprentices are due to commence their apprenticeship in September 2019. During 2019-2020 we will be focusing on ensuring our new apprentice fire fighters succeed through robust progress monitoring, the provision of comprehensive pastoral support and ensuring their training meets their individual needs and those of the apprenticeship standard.

7. Qualifications

Fire and Rescue activity covers such a broad range of undertakings that the Training and Operational Review Department have to deliver or commission a very wide range of training and award qualifications and at all times does so broadly in accordance with the Fire Professional Framework (<http://fireprofessionalframework.co.uk/>).

8. Identifying future talent

The Service currently considers the potential of future leaders by assessing performance and potential capabilities. Further to the development of a new NFCC tool kit we will explore opportunities for identifying talent via a more transparent process.

9. Development of Training Hubs

We have already achieved enhanced training facilities in Pennine and Eastern by virtue of the training assets provided on two of our PFI stations. Arrangements in Central and Southern are linked closely to facilities provided at Service Training Centre. Work continues to scope the addition of a Training Hub in Northern Area at Morecambe.

10. National Operational Guidance

(i) National Operational Guidance

A significant piece of work which will continue into the future, is the National Operational Guidance (NOG) Programme, working to deliver new online operational guidance that is consistent, easily accessible and can be quickly revised and updated if necessary. The information from within the National Operational Guidance (NOG) will form the LFRS Standard Operating Procedures (SOPs) designed to replace operational Service Orders. These SOPs alongside NOG Training Specifications will form the basis of all future operational training and development.

The Joint Emergency Services Interoperability Programme (JESIP) was established to address findings following major national emergencies and disasters, where emergency services carried out their individual roles efficiently and professionally, but areas for improvement were identified relating to joint working. A JESIP joint Doctrine was produced setting out an interoperability framework and standard approach to multi-agency working, along with training and awareness products for organisations to train their staff. Training has been provided to LFRS staff alongside colleagues from NWS and Lancashire Constabulary, who have all received initial training and regularly utilise their JESIP knowledge and understanding during incidents and training requiring a multi-agency response. A recent national review identified that further work was required to embed JESIP principles in the working practices of all roles and TOR now ensure all training and e-learning material promotes JESIP approaches.

The service has a good record of providing training to meet each individual's technical role requirements and the arrangements associated with the introduction of new equipment into the service will be reviewed in line with changes made to the Training & Operational Review Department.

(ii) Airwave Communication System

Over the next couple of years the current Airwave communications system and network will be replaced on a National basis with a new 4G enabled system with expected transition between 2020-2022. This will create training needs for operational staff. LFRS staff are integral within this national project and will be responsible for training all LFRS staff once the replacement system has been procured. Although no dates have been set, the training plan stipulates that LFRS will complete the training of all relevant staff within a three month period. All training materials will be provided to Services and training will be provided using the 'Train the Trainer' model of delivery.

11. Recruits Course (On call) 2 week course

LFRS aspires to have a workforce which is diverse, recognising that we need staff who have different experiences and complementary skills. On Call staff turnover is currently circa 50 to 60 staff per year. To ensure On-call recruitment and training is agile and sized sufficiently to meet this need TOR normally runs three On-call recruit courses per year. Course numbers were increased from 24 to 32 giving an annual capacity of 96. During 2018/2019 we ran 3 courses and recruited 64 new recruits.

12. Budgetary Spend 2018/2019

Expenditure for the Training and Operational Review Department which includes employee costs and expenditure for the running of the Service Training Centre in 2018/19, is £4.1 million.

13. Evaluation Methods

Assessment is an essential component of the LFRS Training Strategy to ensure competence in the workplace, the current quality assurance system in place to manage this is being enhanced both in terms of staff with relevant assessing qualifications and the framework in which they operate.

Non-operational courses are assessed using the Kirkpatrick evaluation model; the majority of training evaluation used within LFRS is at Levels 1 and 2, with some evaluation at level 3. The service uses a range of evaluation tools dependent upon the training being delivered. These comprise of end of course evaluation sheets, written assessments, Survey Monkey reflection sheets, post course follow up reports, self-reflection, manager feedback and qualification achievement.

The extent to which the Quality assurance framework can be deployed beyond TOR and across a range of courses will be linked to the resource allocation to TOR to support the 2018/19 Training Plan.

Appendix A

1 April 2018 – 30 April 2019

Course Type	Number Attended	Total Number of Training Days Completed
Breathing Apparatus	1239	2383
Core Firefighting	1164	6311
Driving	349	756.5
First Aid	506	1107
Health & Safety	234	155
Incident Command	598	788
IT & Systems	19	60
Non Operational	711	490
Organisational Development	2458	2920.5
Special Appliance	143	482
Specialist Function	810	1991
Specialist Rescue	676	1089

Training Year 1st April 2018 - 31st March 2019

Course	Number Attended Grey Book	Number Attended Green Book
Mentoring (course title Coaching & Mentoring Skills)	18	11
LCC MS Office courses	0	0
ILM Level 5 Leadership & Management	0	0

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Leadership Framework

Background

It is important to note that many of the ideas associated with the Leadership Framework are not new and have been developed from the experiences of other organisations. It draws together and formalises elements of good leadership behaviour which underpin Lancashire Fire and Rescue Service (LFRS) values and incorporates many of the behaviours identified within the NFCC Fire and Rescue People Strategy 2017/2022.

What is a the Leadership Framework

The Lancashire Fire and Rescue Leadership Framework translates our values into desired leadership behaviours, through these behaviours, our leaders communicate our values.

Members of staff learn and identify what is acceptable behaviour from their leaders, through demonstration of the values. Values become embedded when all members of staff understand what is expected of them, leaders demonstrate them, and failure to meet them is challenged in an appropriate and developmental way.

The purpose of the behaviours detailed within the framework is to promote the creation of high performing teams, create teams which are inclusive, able to respond positively to change and create pleasant and safe places where people want to work.

The Framework acknowledges and highlights the clear link between leadership and organisational performance, development, culture and employee engagement. The most effective leaders are those who actively work with staff, involve them in decision-making and encourage them to make changes that ultimately improve the working environment and the Services we deliver.

The behaviours encompass the behaviours included in the NFCC leadership framework based on: Outstanding leadership, personal impact, organisational effectiveness, and service delivery. These are built into our leadership framework which are part of our strive values.

Why do we have a Leadership Framework

The leadership framework is focused on our values within LFRS, we describe these as STRIVE. We apply our values to what we do in terms of how we lead in the Service, how we lead the functions we are responsible for, how we lead our teams and how we lead ourselves.

Leadership versus Management

Leadership and management are not the same thing but are necessarily linked. In terms of managing our teams we recognise this as organising, planning, coordinating, problem solving and producing the expected results. In relation to leadership we identify this as establishing direction, aligning people with that direction, motivating, inspiring and producing change at an individual or team, or organisational level.

The manager will focus on systems and structure, relies on control, generates creative solutions and accepts the status quo. The leader will focus on people, inspires trust, challenges, originates, energises, asks what and why and is focused on the longer term.

From a broader perspective management can be described as smaller scale focused on short-term, detail, directing, containment of risk, directing and monitoring. Leadership can be described as more about setting the vision, long-term focus establishing a strategic direction, empowering and mentoring. The leader develops the overarching plan and the manager executes it.

There are many models of management, good leaders and good managers are often not the same person. The few people that excel at both tend to be overwhelmingly successful in achieving their goals. Organisations need people who are good at both to succeed. Perhaps the most important trait, which is common both to effective managers and leaders, is the ability to devolve responsibility and accountability for decision-making and contribution to continuous improvement to the lowest level. In this way, managers and leaders create the right environment and instil the right behaviours which encourage staff, at all levels, to make contributions towards the achievement of organisational goals.

What is leadership within LFRS?

We know what good leadership looks like and we recognise that we don't get it right all of the time; the Leadership Framework gives us an opportunity to clearly explain what behaviour we expect from the leaders within LFRS.

Effective leadership is about developing a vision for the future, as well as understanding the current needs of LFRS. LFRS recognises outstanding leaders as: *Those who engage with others, energize them to overcome barriers, build confidence and trust and use coaching and support to deliver innovation, successful performance and great customer service. Leaders should be willing to challenge poor behavior wherever it occurs.*

Leadership is about decision and choice it is not about rank. Leadership is about being willing to sacrifice your time to someone else, commitment of service to another and a willingness to work together to achieve the best outcomes.

We need people to recognise and think of themselves as leaders, not necessarily by virtue of their role but because they see what needs to be changed or improved and are prepared to work and influence others to make those changes happen.

There needs to be a shift towards encouraging and establishing more different styles of leadership based upon collaboration, support, influence and encouragement, rather than command, control and authority.

Authentic leadership

Underpinning the leadership framework is the need for current and future leaders to demonstrate "authenticity" in the way in which they influence and support each other. When considering overall organisational effectiveness, two key influences are the engagement of individuals within and across professions and directorates and the extent to which the Service enables its workforce to maximise its effectiveness. An enabled workforce will benefit and be inspired by a working environment which is supportive, which optimises roles and which promotes and exhibits authentic leadership. Typically any authentic leader acts

as a role model, empowers those around them, seeks and responds to feedback, builds trust and strengthens competence, encourages innovation, tolerates a degree of failure by managing risk, learning from mistakes and celebrating successes.

The importance of STRIVE

Values are specific beliefs that individuals have about what is important and unimportant. Where we place our time, energy and resources sends clear messages about what we value within LFRS. Values develop from our direct experiences with people. It is ultimately our personal values that determine what we do, our actions and how we are perceived by others.

The values of LFRS are at the centre of what we do in terms of keeping the residents of Lancashire safer.

Our Values

Service: Making Lancashire safer is the most important thing we do.

Trust: We trust the people we work with.

Respect: We respect each other.

Integrity: We do what we say we will do.

Valued: We actively listen to others.

Empowered: We contribute to decisions and improvements.

Appropriate Behaviour

The imperative is to maintain trust, respect and integrity between leaders and those they lead. When developing close working teams it is important to acknowledge the need for mutual respect and the requirement to avoid conduct that offends others. Unacceptable behaviour undermines trust and cohesion and impacts on LFRS's ability to do its job safely, responsibly and professionally. While a leader may call an employee's actions into question and will necessarily need to scrutinize some of an employee's duties, the leader has faith in the workforce and the ability to inspire and gather a following.

Is it about us all leading in the same way ?

No, we are all different and we celebrate and value the difference in each of us. However, we have a leadership framework which is important in terms of our interactions with each other and our communities and in terms of being able to respond to the changing nature of the Service. We need to be able to be flexible in the way we lead staff because they are all different.

What does the LFRS Leadership Framework consist of ?

It consists of a set of behaviours that we expect from our leaders when putting our values into practise in terms of: leading the Service; leading the functions they are responsible for; leading their teams, and how they conduct themselves. There is widespread recognition of the direct link between leadership capability and sustained high performance. Our

organisational culture is influenced by the nature of leadership; arguably the most important determinant of the development and maintenance of culture is current and future leadership¹

Leadership Styles

Leadership style can be described as the way a person uses power to lead other people. The most appropriate leadership style will depend on the function of the leader, the followers and the situation.

Different types of leadership styles exist in work environments; advantages and disadvantages exist with each leadership style. The culture and goals of the organisation will determine which leadership style fits it best. Some organisations may have several leadership styles, dependent upon the necessary tasks to be completed and departmental needs.

The transactional and transformational approaches represent two ends of the spectrum in terms of leadership. Leaders must be comfortable in moving along the spectrum, applying the most appropriate leadership behaviour depending on the situation. An awareness of some of the leadership styles can aid our understanding.

The Directive Style: Most effective when a leader requires rapid unquestioning action, it may be suitable in an emergency situation, but overuse can have a negative impact.

The Paternalistic Style: Organisational power is used to control and protect subordinate staff who are then expected to be loyal and obedient.

The Participative Style: The leader asks for and values input from the team. They create an environment where ideas and criticism is welcome which can build commitment through participation.

The Pacesetter Style: Demands high standards and the style gets results from a highly competent team, but can be demoralising for those who can't keep up.

Research has shown that the most effective leaders regularly use transformational styles of leadership:

The Coaching Style

This style focuses on what the individual can achieve, the leader encourages dialogue and helps others to identify their own strengths and weaknesses and builds long term capability.

The Affiliative Style

People come first. The leader focuses on the needs of the individual and the team, building bonds and creating rapport, however there needs to be a balance because too much focus on people can allow results to go unchecked.

The Visionary Style

The leader communicates a clear aims in terms of where they are going and the standards expected to achieve the aim. It can be very motivating and capitalises on strengths.

¹ Schneider B, Barbera KM (eds) (2014). Oxford Handbook of organisational climate and culture. New York: Oxford University Press

Coaching

Coaching is identified as a crucial technique in developing individuals, teams and organisations. Coaching is the process of unlocking an individual, or a team's potential in order to maximise performance. The focus in coaching is on helping others learn rather than teaching them. It uses leadership behaviours to influence people's motivations and attitudes.

Some basic coaching skills include:

Developing rapport: Rapport can be described as a state of understanding with another individual which enables easier communication. Sometimes it happens naturally where people get on well, but it can also be developed by developing a shared understanding of the other person's perspective, finding common ground and being empathetic.

Observation: Observation skills are required to be able to identify individual strengths and weaknesses which impact on performance. Behaviour not consistent with our values should be identified and challenged.

Effective Communication: An ability to explain the direction of the team and set clear priorities. Effective communication is measured by what is heard/seen, not what is said/done.

Developmental Feedback: People learn by reviewing what they have done well and where things have gone wrong. Leaders should take every opportunity to give feedback and discuss performance; this should be a regular occurrence and not be restricted to an appraisal meeting or a formal event. Feedback should be given in a developmental way without criticism and blame.

Goal setting: When we achieve our goals we feel motivated. Goal setting is a versatile and effective coaching tool to focus attention to improve a team or an individual's performance. Breaking down long-term objectives into short-term goals allows for improvement and results in increased motivation.

How will the leadership framework be used?

The leadership framework is aligned to LFRS values and will be used in Human Resources processes including recruitment, talent management and performance management. The framework will play an important part in recruitment, assessment and selection. During interviews and assessment for selection, candidates will be expected to demonstrate how they apply the leadership values in their work. This will be in addition to showing how they demonstrate specific competencies. Candidates may be asked about past behaviour and how they would deal with certain future situations. Being aware of the framework will help them prepare.

During recruitment and selection assessments, even though the focus during assessment exercises will be on achieving the aim of the tasks, an understanding of the values and competencies will help guide candidates' actions and decisions as they work through the exercises.

Effective performance management is essential to help us link our role and behaviours to the aims, priorities and values of the Service. The leadership framework is a tool where behaviours in terms of expectations, praise and challenge can be included in the appraisal conversation.

The framework also demonstrates how leadership and commitment with respect to the health and safety and environmental systems is applied within LFRS and supports the overall responsibility and accountability for the prevention of work-related injury and ill health, as well as the provision of safe and healthy workplaces and activities.

How can I improve my leadership capability?

- Obtain feedback on your leadership capability and access development from your line manager within your appraisal; look to identify areas of stretch and challenge and activities where you will be out of your comfort zone.
- Further to a recruitment process seek feedback on your areas of development and areas of strength and produce a personal development plan and monitor your progress against it.
- Go through the behaviours and identify evidence of where you demonstrate it.
- Seek out a mentor in relation to an area you wish to improve.
- Seek feedback from peers and colleagues on your performance against the behaviours.
- Reflect on what has gone well and how it could have made something better.
- Reflect on your personality and how it influences your feelings and your action.
- If you receive negative feedback, don't take it personally consider what it like is to be on the other end of you. Remember you have an opportunity to make a positive difference to the people you lead.
- Take time to reflect and consider, changing patterns of behaviour takes time and hard work.
- Access an external coach, within LFRS coaching is available by experienced coaches. Coaching provides a confidential space to explore issues of leadership or personal development.
- The Human Resources website includes information on: appreciative enquiry, solution focus and emotional intelligence. All of which can be used to develop your skills.
- LFRS is utilising a 360 degree tool designed around LFRS values and behaviours. All line managers can access the tool annually. On a more informal basis everyone can ask for and seek feedback from their line manager, their peers and the teams they lead.

	Leading Yourself Developing yourself and creating a constructive safe working environment	Leading Others Building high performing teams and developing others	Leading the Function Delivering high quality services, which provide value for money and which continuously improve	Leading the Service Ensuring what we do is linked to the LFRS mission of keeping Lancashire safer
Service: Making Lancashire safer is the most important thing we do	<p>I demonstrate pride and passion for the Service.</p> <p>I actively seek opportunities to develop myself and innovate to deliver the Service in the most effective way.</p> <p>I prioritise the needs of the people of Lancashire.</p>	<p>I recognise and challenge inappropriate behaviour.</p> <p>Highly developed in my area of expertise; I maintain my own technical and professional competencies and those of my team.</p>	<p>I monitor the performance and quality of the area I am responsible for and share information to improve performance.</p> <p>I set and monitor the completion of goals for the team I am responsible for, offering support and coaching.</p> <p>I seek to identify barriers and solutions to the completion of objectives.</p>	<p>I consider the internal and external influences affecting my Service to set a clear direction and priorities.</p> <p>I proactively develop and sustain collaborative relationship with all internal and external stakeholders.</p> <p>I understand what the Service is trying to achieve and where my Service area fits into the bigger picture.</p>
Trust: We trust the people we work with	<p>I encourage open communication demonstrating an open culture.</p> <p>I am approachable and willing to listen.</p>	<p>I take responsibility for my decision making and make decisions based on supporting evidence and risk.</p> <p>I develop confidence in others, empowering them to make their own decisions and learn from their mistakes.</p>	<p>I work to build constructive working relationships to deliver shared goals.</p> <p>I use resources and deliver projects in accordance with LFRS Policy and Procedures.</p>	<p>I champion and report safeguarding, health and safety, environment, inclusion and equality and diversity issues to help protect people from harm.</p> <p>I am flexible and open to new ways of working and willing to consider the ideas of others.</p>

<p>Respect: We respect each other</p>	<p>I demonstrate respect and sensitivity towards colleagues and the community irrespective of beliefs and cultures.</p> <p>I demonstrate respect for colleagues across all professional Departments, considering their points of view and feedback.</p>	<p>I am people and outcome focused; I make decisions based on better service outcomes.</p> <p>I initiate action, give direction and take responsibility.</p> <p>I am helpful when dealing with issues raised by staff, colleagues and customers.</p>	<p>I am flexible in my approach, open to new ways of working and consider the ideas of others.</p>	<p>I want to make a difference, I adapt and lead change, and look to implement innovative ideas, improvements and change effectively and in consultation with others.</p> <p>I consult and consider the impact of my decision making on other Departments.</p>
<p>Integrity: We do what we say we will do</p>	<p>I value inclusion and I demonstrate appropriate behaviour at all times.</p> <p>I am effective and make the best possible use of my energies at work.</p>	<p>I value and appreciate difference in people; I am empathetic to the point of view of others and encourage others to be so.</p> <p>I challenge poor performance and give developmental feedback.</p>	<p>I seek to understand and address specific risks of the diverse needs of people and communities.</p> <p>I solve problems creatively from a position of enquiry.</p>	<p>I am transparent and explain the reasons for my decision making, I am open to challenge.</p> <p>I work in a professional, non-judgemental way, clearly communicating my standards and expectations.</p>
<p>Valued: We actively listen to others</p>	<p>I am aware of how my actions/ behaviours may impact on others and I modify my behaviour accordingly.</p>	<p>I actively listen to others; I display helpful, constructive behaviours, value achievement and challenge negativity where it is a threat to improvement.</p> <p>I inspire others to become proactive and to achieve.</p>	<p>I enter into dialogue not conflict and I am able to give and receive constructive and developmental feedback.</p> <p>I value a diversity of opinion and thought.</p>	<p>I demonstrate good leadership qualities and support the development of others.</p>

<p>Empowered: We contribute to decisions and improvements</p>	<p>I look for opportunities to learn and develop in accordance with the Service values.</p> <p>I learn from mistakes made by myself and others without attributing blame.</p>	<p>I look for opportunities to develop and nurture others.</p> <p>I delegate effectively, allowing others to focus on the detail where this is appropriate.</p>	<p>I identify innovation to improve the efficiency and quality of my Service area.</p> <p>I motivate and inspire others to do well</p>	<p>I reflect on the Service I am responsible for, their performance and take appropriate action to minimise organisational risk.</p> <p>I encourage and support others to make decisions.</p>
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LANCASHIRE RESOURCES COMMITTEE

Meeting to be held on 25 September 2019

LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS

(Appendix 1 refers)

Contact for further information:

Bob Warren – Director of People and Development – Tel No. 01772 866804

Executive Summary

The Local Government Pension Scheme currently offers an Additional Voluntary Contribution (AVC) facility.

Recommendation

To amend the current LGPS Discretions Policy to allow members the option to access the Shared Cost AVC Option.

Information

The Local Government Pension Scheme currently offers an Additional Voluntary Contribution (AVC) facility allowing members a tax-efficient way to purchase additional pension on a voluntary basis. At the present time 12 employees contribute to an AVC. A facility exists to improve the current AVC arrangements to a Shared Cost AVC Scheme, allowing employees to save for retirement in a cost efficient way. The main advantage for the employee is that they save money in both Income Tax and National Insurance Contributions, which increases their benefits making it more beneficial for the employee when compared to paying AVCs in the standard way.

The AVC funds continue to be invested with Prudential, via the Lancashire Pension Fund arrangements.

In the Shared Cost AVCs both the employee and LFRS contribute into the AVC fund. The employee pays £1 per month into the AVC fund and the remainder of their total monthly contribution amount is paid by LFRS, through a salary sacrifice arrangement. The employee makes savings in Income Tax and National Insurance Contributions (NICs) on the amount of pay they have sacrificed. As a result of switching to a Shared Cost AVC the employees take home pay will increase when compared to paying AVCs in the standard way.

By offering employees the opportunity to swap to a salary sacrifice Shared Cost AVC Scheme, LFRS can save a sum equal to 14.3% of the total salary sacrifice amount. To enable this change in the AVC facility it is a requirement to amend the current LGPS Discretions Policy (see Appendix 1) to allow the facility to offer Shared Cost AVC's so that employees can benefit from the arrangements described above.

Business Risk

There are no business risks arising from the report.

Environmental Impact

There are no environmental impacts arising from the report.

Equality & Diversity Implications

There are no equality and diversity implications arising from the report.

HR Implications

There are no human resources implications arising from the report.

Financial Implications

There are no financial implications arising from the report.

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

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

APPENDIX 1

LGPS Discretions

Shared Cost Additional Voluntary Contributions (SCAVCs)
(regulation 17 of the LGP Regulations 2013, Regulations 15(1)(d) of the LGPS
(Transitional Provisions, Savings and Amendment) Regulations 2014, Regulation
25(3) of the LGPS (Administration) Regulations 2008 and Regulation 15(3) of the
LGPS (Benefits, Membership and Contributions) Regulations 2007)

An active member may elect to pay AVCs into a scheme established under contract between his appropriate administering authority and a body approved for the purposes of the Finance Act 2004.

An employer can, at its discretion, contribute to the AVC scheme and where they do the AVC scheme is known as a shared cost additional voluntary contribution arrangement (SCAVC). An employer should establish whether, how much and in what circumstances to either continue with an existing SCAVC or enter into a new SCAVC.

Employer's policy:

Lancashire Fire and Rescue Service operates a Shared Cost Additional Voluntary Contributions (SCAVC) scheme.

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