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Lancashire Combined Fire Authority

Audit Committee

Tuesday, 29 November 2022 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

If you have any queries regarding the agenda papers or require any further information, please initially contact Diane Brooks on telephone number Preston (01772) 866720 and she will be pleased to assist.

AGENDA	
PART 1 (open to press and public)	

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

1.	APOLOGIES FOR ABSENCE
2.	DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.
3.	MINUTES OF THE PREVIOUS MEETING (Pages 1 - 8)
4.	EXTERNAL AUDIT - LETTER OF REPRESENTATION (Pages 9 - 16)
5.	EXTERNAL AUDIT - AUDIT FINDINGS REPORT (Pages 17 - 50)
6.	INTERNAL AUDIT MONITORING REPORT (Pages 51 - 58)
7.	STATEMENT OF ACCOUNTS 2021/22 (Pages 59 - 140)
8.	RISK MANAGEMENT (Pages 141 - 164)
9.	CONTRACT STANDING ORDERS - PROPOSED AMENDMENTS (Pages 165 - 168)
10.	DATE OF NEXT MEETING The next scheduled meeting of the Committee has been agreed for 10:00 hours on 28 March 2023 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

	Further meetings are: scheduled for 25 July 2023 proposed for 26 September and 28 November 2023
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.	URGENT BUSINESS (PART 2) An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 5 July 2022, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

J Shedwick (Chair)
N Hennessy (Vice-Chair)
S Clarke
F Jackson
A Kay
J Singleton

Officers

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

In attendance

A Dalecki, Internal Audit, Lancashire County Council
L Rix, Internal Audit, Lancashire County Council
H Stevenson, External Audit, Grant Thornton
K Wilkie, Fire Brigades Union

1/22 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Dad.

2/22 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

3/22 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 29 March 2022 be confirmed as a correct record and signed by the Chairman.

4/22 INTERNAL AUDIT ANNUAL REPORT

The Chair, County Councillor Shedwick introduced Andrew Dalecki, Head of Internal Audit and Laura Rix, Senior Auditor. Mr Dalecki advised that Mrs Judith Taylor would be stepping away from managing this contract to support resilience in the team. On behalf of the Committee, the Chair expressed thanks to Mrs Taylor for her work over the years.

The report was presented by Mr Dalecki. The Internal Audit Annual Report summarised the work that the Internal Audit Service had undertaken during 2021/22 and the key themes arising from it. It provided an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control.

On the basis of programme of work for the year, the Head of Internal Audit provided substantial assurance over the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

The opinion was based on the work the Internal Audit Service performed during 2021/22 and 2022/23 in relation to the 2021/22 audit plan, as approved by the Audit Committee in March 2021.

Summary of findings and assurance

<u>Overall governance, risk management and control arrangements</u>
A high-level review was completed in April 2022 and no areas of concern were noted.

<u>Training, learning and development</u>
The audit report was finalised in August 2021 and four medium, and three low residual risk actions had been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.

<u>Management of on-call provision</u>
The report was finalised in April 2022. One high and three medium risk actions had been agreed in relation to: i) Monitoring and management of compliance with the Working Time Directive; ii) Analysis of exit interviews; iii) Undertaking regular reviews of the hours worked by On-Call firefighters versus contracted hours; and iv) Identification of responsible officers and implementation dates for actions raised in the Service On-Call Key Performance Indicator report prepared for reporting to the Performance Committee.

<u>Accounts payable, Accounts receivable and General ledger</u>
Audit work across each of these three key financial systems was completed in November 2021. No areas for improvement were identified.

<u>HR and Payroll</u>
The review was completed in January 2022. Two low risk actions were agreed relating to the need to ensure all electronic documents were saved on electronic personal folders, and HR to remind managers of the need to submit payroll amendments in advance of the date of change to avoid under or overpayments of salary arising.

<u>Pension fund assurance</u>
Assurance on pension arrangements was derived from the auditors' own audit activity, in relation to pension overpayments, admission of employers to the fund, accounting through the council's general ledger and employers'

contributions (follow up) and was additionally informed by information made available to them from other external assurance providers.

Treasury Management
The review was completed in October 2021. No areas for improvement were identified.

Follow up audit activity

Safeguarding
Follow up work was completed during January 2022. The previous audit provided substantial assurance over the adequacy and effectiveness of the controls in place to support the safeguarding referral process and the working arrangements with partner agencies to help prevent abuse and neglect and to provide a consistent approach when responding to safeguarding concerns. Three low risk actions were agreed with management to address areas identified for improvement. Two of the actions had been implemented with 1 still ongoing relating to the delivery of Safeguarding Awareness talks, which were to be delivered to staff.

General data protection regulations (GDPR)
Follow up work was completed during February 2022. The previous audit provided an opinion of moderate assurance. Overall, a good framework of control was in place to support compliance with GDPR, and whilst the auditors did not identify any significant gaps or weaknesses in the adequacy of the design of the overall control framework, it was noted that as the production of the Record of Processing Activity was incomplete this created a risk that additional information assets would be identified and further work would be needed to put in place all necessary documentation required to demonstrate compliance with GDPR.

Of the eleven actions agreed with management to address areas for improvement, only three (all low risk/ priority) had been completed to date. Progress had been hampered due to key staff posts being vacated in the time since the review was completed, although it was noted that recruitment activity was being progressed. In response to a question from County Councillor Singleton regarding progress against the outstanding actions, the Director of Corporate Services confirmed that progress had not been achieved as it continued to be difficult to recruit.

Other components of the audit plan

National Fraud Initiative
All matches from the current exercise had now been investigated. One error was identified, with no financial impact.

Management Activity
Work in the period has included:

- Production of the 2020/21 Annual Report of the Head of Internal Audit.
- Preparation of the Audit Committee monitoring reports.
- Reissue of the Internal Audit Charter.
- Preparation of the 2022/23 Internal Audit Plan.

- General management and quality assurance procedures.

The delivery of the audit plan was 74 days against the 70 days plan. Action plans had been agreed where appropriate in respect of all final audit report. These indicated that positive action had been or would be taken to address any areas for improvement identified. Implementation of these plans would be followed up as part of the 2022/23 audit plan.

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

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

5/22 EXTERNAL AUDIT - AUDIT PLAN

The Chair, County Councillor Shedwick welcomed Helen Stevenson, Audit Manager, Grant Thornton who presented the Audit Plan 2021/22.

It was noted that the external auditors were required to produce an annual audit plan, setting out the areas it intended to review during the year.

Members considered the Audit Plan which included key matters that impacted on the audit, details of significant risks identified and the key aspects of proposed response to the risk, accounting estimates and related disclosures, other matters, materiality, value for money arrangements, risks of significant value for money weaknesses, audit logistics and team and audit fees.

Ms Stevenson advised that the timing of the final visit had moved to August.

RESOLVED:- That the Audit Committee agreed the external audit plan for 2021/22 and the increased fee.

6/22 ANNUAL GOVERNANCE STATEMENT

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

The Audit Committee had previously approved a Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives). The Code defined corporate governance as the way an authority ensured that it was doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment had been undertaken by the Executive Board who had considered the various sources of assurance that supported the core principles outlined in the report and the outcome of this was considered by Members under appendix 1 as now presented. One of the key elements of this was external assurance of the systems, and this was provided by internal and external auditors, both of whom provided positive reports, and by the HMICFRS Inspection which rated the Service as Good.

The assessment also considered recommendations made as part of last year's Annual Governance Statement i) to continue to develop and embed a new assurance monitoring system app to collate information and intelligence from multiple sources as well as linking to national learning; ii) to performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation; iii) produce Community Risk Management Plan covering 2022/27; iv) publish and act on the outcome of the Staff Survey; v) commence a project to replace the existing performance management system; vi) implement an upgraded finance system, including review and implementation of improvements to the monthly budget monitoring process, making greater use of additional functionality provided; and vii) develop business cases where required to ensure that value for money is evidenced.

An update on the position in respect of these was considered by Members. It was noted that some outstanding actions in respect of recommendations from last year's Annual Governance Statement had been delayed due to capacity issues.

It was noted that as a result of various reviews the following area had been identified for further improvement: -

- Embed the Core Code of Ethics into corporate policy, and the recruitment and promotion process.

As part of the review, the Service was required to identify and disclose any significant internal control issues, of which there had been none, hence the overall conclusion was that the system of internal controls was adequate.

The Director of Corporate Services advised that the outcome of the last HMICFRS inspection was awaited and the Governance Statement would be updated once the result was known.

RESOLVED: - That the Committee noted and endorsed the self-assessment and the Annual Governance Statement based on this and recommended that the Chairman of the Authority sign the Statement.

7/22 ACCOUNTING ESTIMATES

The Director of Corporate Services presented the report. It was noted that the International Standard on Auditing (ISA) 540: Auditing Accounting Estimates and Related Disclosures was revised in December 2018 by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, and review. The auditing standard was revised because Statement of Accounts were increasingly subject to judgements and estimations performed by management and experts on a range of items within them, as required by current accounting standards. These changes required that auditors should understand and evaluate: “the nature and extent of oversight and governance that the entity has in place over management’s financial reporting process relevant to the accounting estimates.”

The Audit Committee needed to understand what significant estimates would be included within the Statement of Accounts which were those that:

- Required significant judgement by management to address subjectivity;
- Had high estimation uncertainty;
- Were complex to make;
- Had, or ought to have had, a change in method, assumptions or data compared to previous periods; or
- Involved significant assumptions.

The Statement of Accounts contained estimated figures that were based on assumptions about the future or that were otherwise uncertain. Estimates considered past and current trends and/or other relevant factors. However, because balances could not be determined with certainty, actual results could be materially different from the assumptions and estimates.

It was noted that the Statement of Accounts were prepared with the underlying significant assumption of Going Concern, which meant that the Authority considered its financial position to be stable for the foreseeable future, as assessed at the most recent budget setting exercise finalised in February 2022. Accounting standards required that management made an annual assessment of going concern, although the Code recognised that Local Authorities could not be created or dissolved without statutory prescription, the accounts must therefore be prepared on a Going Concern basis. Management had prepared the assessment in line with requirements.

Members considered the significant Accounting Estimates for 2021/22 including the: estimated value, degree of uncertainty and methodology used for the: i) valuation of land and buildings; ii) depreciation of property and equipment; iii) valuation of both Firefighter and Local Government Pension Scheme (LGPS) liability; iv) valuation of LGPS pension asset; v) fair value measurement – private finance initiative schemes; vi) revenue accrual – s31 grant re: business rates additional reliefs in 2021/22; and vii) holiday pay expenditure accrual.

The Director of Corporate Services tabled an amendment to the estimate for Fire value measurements – PFI schemes (as detailed on pages 81 and 82 of the agenda pack) to reflect in the final paragraph that ‘The bond yield rate forecasts had increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, was a product of both the underlying reduction in the liability, as a result of repayments made during the year, and the increase in the future interest rates’.

It was noted that each year Executive Board was asked to consider whether there were any transactions, events, or conditions (or changes in these) that might trigger the recognition of an additional significant accounting estimate, or the potential recognition, known as a contingent liability. Based on the returns received from Executive Board, the contingent liabilities note had been updated to reflect the current position, but there were no further significant events or transactions identified by this process.

RESOLVED: - That the report be noted and the accounting estimates including the tabled amendment as reported be endorsed.

8/22 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 10 June 2022 was presented by Andrew Dalecki.

To date, and as expected no days had been spent this financial year on completion of the 2022/23 plan and no individual assignments had been scheduled for completion to date. Time spent between 1 April 2022 and 10 June 2022 in completing assignments from the 2021/22 audit programme had been accounted for within the 2021/22 Annual Report.

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

9/22 RISK MANAGEMENT

The Director of Corporate Services presented a verbal report that highlighted 2 new risks which warranted inclusion on the corporate risk register, and one which required updating:

North West Fire Control
As mentioned at the last Authority meeting the Deputy Mayor of Greater Manchester had written to the Chairs of other constituent Fire Authorities (Cumbria, Cheshire and Lancashire) advising of their intent to review existing arrangements, which may have a longer-term impact.

Reforming Our Fire and Rescue Service White Paper
The Government was consulting on its proposals to reform the fire sector in England which included the potential to transfer fire functions to a single elected individual. Once the outcome was known it may impact on governance and therefore needed to be on the risk register for awareness.

Inflation/Pay Awards
Inflation was already on the corporate risk register concerning i) Increase in costs of and/or lack of availability of goods and services, following Brexit and the current war in Ukraine and ii) increasing energy costs. The Director of Corporate Services reassured Members that even though costs were rising above the estimated inflation levels there was sufficient funding to draw down from reserves. This would be reviewed later in the year when the budget for next year was set.

Pay awards were separately set nationally for green and grey book staff and a 2% award had been estimated in the budget. Pay offers were early in the negotiation stages however, it was likely these would exceed the budgeted allowance.

The Director of Corporate Services confirmed he would keep the Chair and

Vice-Chair aware of any changes and would bring a written report to the November meeting of the Committee.

RESOLVED: - That the Committee agreed the new risks be added to the Corporate Risk Register as well as the updated risk.

10/22 DATE OF NEXT MEETING

The next planned meeting of the Committee would be held on 27 September 2022 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood. It was agreed that the Director of Corporate Services would discuss with the Chair of the Committee whether this meeting was necessary.

Further meeting dates were noted for 29 November 2022 and 28 March 2023 and agreed for 25 July 2023.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

Lancashire Combined Fire Authority
Audit Committee
Meeting to be held on 29 November 2022

External Audit – Letter of Representation
(Appendix 1 refers)

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

Executive Summary

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

Decision Required

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

Information

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

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

Financial Implications

None

Human Resource Risk Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:
Date:
Contact:

Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Please ask for: Keith Mattinson
Telephone: 01772 866804
Email: keithmattinson@lancsfirerescue.org.uk
Your Ref:
Our Ref: KM/JLW
Date: 29 November 2022

Dear Sirs,

Lancashire Combined Fire Authority
Financial Statements for The Year Ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Lancashire Combined Fire Authority for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

<u>Financial Statements</u>

i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards (CIPFA)/(LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings, depreciation, year-end provisions and accruals, valuation of defined benefit net pension fund liabilities, and fair value estimates. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:
   a. there are no unrecorded liabilities, actual or contingent;
   b. none of the assets of the Authority has been assigned, pledged or mortgaged;
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Authority means that, notwithstanding any intention to liquidate the Authority or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
   c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

<u>Information Provided</u>

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

  a. management;
  b. employees who have significant roles in internal control; or
  c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Authority’s Audit Committee at its meeting on 29 November 2022.

Yours faithfully

Keith Mattinson Director of Corporate Services 29 November 2022	Councillor John Shedwick Chair of the Audit Committee 29 November 2022

Signed on behalf of the Authority

Appendix A

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors Provisions The Authority has included a creditor for ongoing pensionable allowance claims. These first arose in 2019/20 and are still subject to legal challenge and for which the outcome is uncertain. We recognise the prudency of including these but as the outcome is uncertain they should be held as a provision, rather than a creditor.	0	Decrease 550 Increase 550	0	Not material
Overall impact	£0	£0	£0	

Lancashire Combined Fire Authority
Audit Committee
Meeting to be held on 29 November 2022

External Audit – Audit Findings Report
(Appendix 1 refers)

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

Executive Summary

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

As highlighted in the report, work is on-going in a number of areas but at the time of the draft report there were no significant issues identified and only one recommendation.

Recommendation

The Committee is asked to:-

- Note and endorse the matters raised in the report.
- Note the anticipated "unmodified" audit report opinion on the financial statements.
- Note that the auditors have not yet completed all of their Value For Money work and so are not in a position to issue a report on that.

Information

Under the statutory Code of Audit Practice for Local Government bodies our external auditors Grant Thornton are required to issue a report to those charged with governance summarising the conclusions from their audit work. This draft report, known as the Audit Findings Report, is attached as Appendix 1, and will be presented by the Audit Manager.

At the time of writing the report the auditors work was substantially complete and there were no matters of which they were aware that would require modification of the audit opinion or material change to the financial statements, subject to the outstanding matter listed below:-

- responses from the pension fund auditor to gain assurance on underpinning controls and supporting data for the pension fund net liability;
- receipt of management representation letter;
- review of the final set of financial statements; and
- final quality procedures.

There were two recommendations:-

1. Oracle password configuration as set out on page 20 of the report:-

"We identified a weakness in Oracle password configuration. The password length is set to 6 characters and does not include a minimum password length of 8 character as per leading practices."
This relates to the existing finance system which is currently being replaced in December, as such we do not propose to amend this in the existing system.

2. Self-authorisation of journals as set out on page 20 of the report (this has been raised numerous times previously):-
   "Our risk assessment of journal controls noted that there are no automated controls on the finance system to prevent members of finance staff approving their own journals. Whilst our audit work on journals so far has not identified any significant issues as a result of this weakness in internal controls, we recommend that the authority establishes an authorisation control to reduce the risk of financial reporting fraud and/or error in future."
   Our response to this is consistent with previous responses "We have considered the recommendation. We believe our financial monitoring processes are sufficient to identify if such an instance occurred. Neither ourselves, nor internal and external audit, have discovered any instances of error or reporting fraud that the implementation of this would have prevented. Hence, given the size of our finance team, we don't feel that introducing further controls is practical or proportionate to the risk."

There were several disclosures and misclassification changes required, as set out on page 22, and three adjusted misstatements, as set out on page 23, the majority of which were identified by the Authority during the audit process.

There was one unadjusted misstatement, as set out on page 23, which relates to the treatment of potential future costs of claims relating to pensionable allowances, and specifically treating this as a creditor as opposed to a provision. Given it is below our materiality threshold, the Treasurer has not amended the accounts to reflect this.

Financial Implications
An audit fee of £40.8k was agreed as part of the Audit Plan. The final fee will be confirmed once the audit is complete.

Human Resource Risk Implications
None

Equality and Diversity Implications
None

Environmental Impact
None

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

Local Government (Access to Information) Act 1985
List of background papers
Paper:
Date:
Contact:
Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

The Audit Findings for Lancashire Combined Fire Authority

Year ended 31 March 2022

November 2022

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

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

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date : November 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority's ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2022 for those charged with governance.

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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) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed during August-November. Our findings are summarised on the following pages.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter
- review of the final set of financial statements; and
- final quality procedures.

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.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix F. We expect to issue our Auditor's Annual Report by February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness however our work is still underway and an update is set out in the value for money arrangements section of this report (see section 3).
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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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2. Financial Statements

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 the Audit Committee.

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:

- An 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.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 November 2022, as detailed in Appendix E. These outstanding items include:

- responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter
- review of the final set of financial statements; and
- final quality procedures.

Acknowledgements

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

2. Financial Statements

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 revised the materiality figures due to the actual gross expenditure for 2021/22 reducing from that at the planning stage. This resulted in a review of the appropriateness of the materiality figures.

We detail in the table our determination of final materiality for the Authority.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,181,560	This equates to 2% of your gross operating expenditure for the 2021/22 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. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.
Performance materiality	886,170	The performance materiality has been set at 75% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	59,078	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.
Materiality for senior officer remuneration	20,000	This is due to its sensitive nature, with the value at a lower level of precision.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override 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 for the Authority, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals. For example: - journals created by senior management - journals which impacted the financial outturn - year-end adjustment 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 regarding corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year, we identified 43 higher risk or unusual journals that warranted detailed audit testing. From testing carried out, there has been no evidence of inappropriate management override of controls through journals. Our commentary on key accounting estimates is set out on pages 11 to 12. We found accounting policies to be appropriate.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue and expenditure recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10, issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition. These presumptions can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition or the manipulation of expenditure recognition. Having considered the risk factors set out in ISA240 and PN10 and the nature of the expenditure streams at the Fund, we have determined that the risk of fraud arising from revenue recognition and expenditure manipulation can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition and expenditure are very limited • classes of expenditure that could be prone to manipulation, such as management expenses and payments to and on account of leavers are not material • the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable Therefore we do not consider these to be significant risks for Lancashire Combined Fire Authority.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Authority's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Authority's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2021/22. Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five yearly basis with 20% of assets valued each year. In the intervening years the Authority requests a confirmation through a desktop exercise from its engaged valuation expert to ensure that there is no material difference. This valuation (£98.314m in 2021/22) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where annual valuations are not carried out. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year including investment properties, to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. As part of our overall audit work we tested 40 asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population. In completing our work we examined the accounting entries, data and assumptions used and relevant asset indices. Our audit work has not identified any issues in respect of valuation of land and buildings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
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 (£883.218m in 2021/22) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority’s pension fund net liability as a significant risk.	We have: • 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 evaluate 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; • undertaken 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; and • obtained assurances from the auditor of Lancashire 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 are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. We have not identified any other issues from our testing to date

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land & Buildings (OLB) – £69.114m PFI Assets – Land & Buildings – £31.175m Total Land and Building valuations – £100.289m	Land and buildings are specialised assets such as fire stations, the Fire HQ and other operational buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. There are only £19k of land and buildings that are not specialised are valued at their existing use (EUV). The Authority has engaged Amcat Limited to complete the valuation of its land and buildings as at 31 March 2022 on a five yearly cyclical basis. 20% of total assets were fully revalued during 2021/22 with the remaining 80% subject to a desktop valuation exercise. The total year end valuation of land and buildings was £100.289m, a net increase of £10.306m from 2020/21 (£89.983m).	We reviewed the estimate, considering: • We have assessed the valuer used as management's expert, Amcat Limited, to be competent, capable and objective • We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate • We have evaluated the method, data and assumptions used by management's expert to derive the accounting estimate to be reasonable • We confirmed that the valuation method remains consistent with the prior year • We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate • We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts • We have confirmed the adequacy of disclosure of estimate in the financial statements • We have confirmed the appropriateness of alternative site assumptions. The valuation method remains consistent with the prior year. The valuer has prepared their valuations in accordance with RICS Valuation – Global Standards.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate | **Summary of management's approach** | **Audit Comments** | **Assessment**

Significant judgement or estimate

Firefighters' Pension Scheme Net pension liability – £875.936m

LGPS Net pension liability – £7.498m

Total Net pension liability – £883.434m

Summary of management's approach

The Authority's total net pension liability at 31 March 2022 is £883.434m (2020/21 £887.704m) comprising the unfunded defined benefit pension obligations of the Firefighters Pension Scheme and the Lancashire County Pension Fund Local Government Pension Scheme.

Firefighter's Pension Scheme

The Authority uses Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from the Firefighters' Pension Scheme.

A full actuarial valuation is required every four years. The latest full actuarial valuation was completed as at 31 March 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.020m net actuarial gain during 2021/22.

Local Government Pension Scheme

The Authority uses Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from the LGPS.

A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

Audit Comments

- We have assessed the Authority's actuaries, GAD and Mercer, to be competent, capable and objective.
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7-2.8%	●
Pension increase rate	3.5%	3-3.5% for all employers	●
Salary growth	4.9%	1.25-1.5% above CPI	●
Life expectancy – Males currently aged 45 / 65	22.4 20.9 yrs	24.8 20.7 yrs	●
Life expectancy – Females currently aged 45 / 65	25.9 24 yrs	27.5 23.8 yrs	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2021/22 to the valuation method.
- We conducted an analytical review to confirm the reasonableness of the Authority's share of LGPS pension assets.
- Our work confirms that the decrease in the IAS 19 estimates are reasonable.
- We have reviewed the adequacy of disclosure of estimate in the financial statements.

Conclusion

We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. Their response provides assurances on 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.

Assessment

To be concluded

2. Financial Statements - 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.

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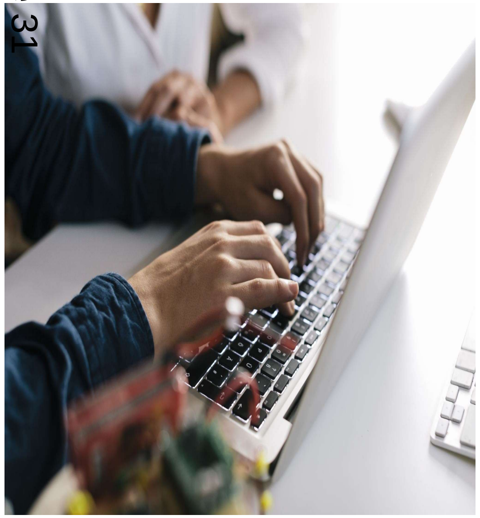

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking institutions and local authorities with whom the Authority has money on deposit. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, other than those mentioned in Appendix C - disclosure misstatements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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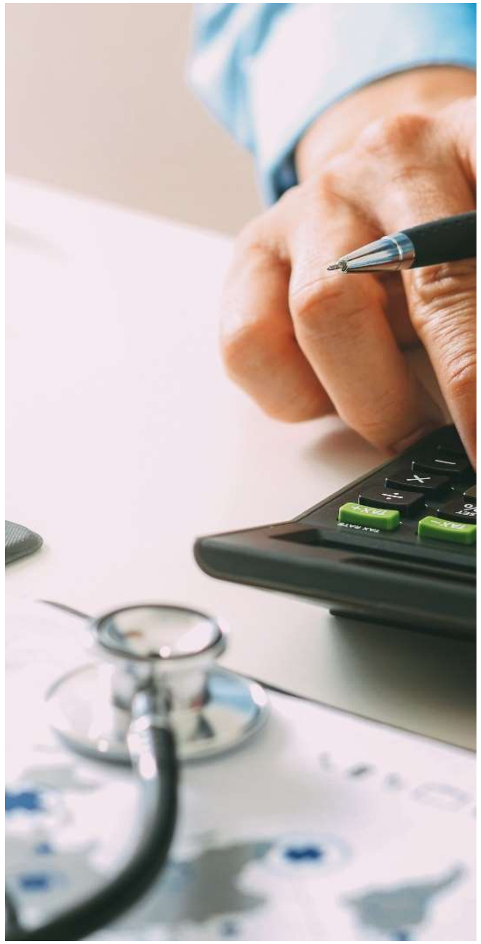
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Annual Governance Arrangements and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	Guidance on specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions have not yet been issued. Previously this work has not been required as the Authority has not exceeded the NAO's thresholds and we expect that to be the case this year.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Lancashire Combined Fire Authority in the audit report, as detailed in Appendix E, due to the incomplete Value for Money work.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness at the planning stage and have continued to monitor the Authority's finances, governance arrangements and performance monitoring during the audit for any indications of significant weaknesses in arrangements.

We have not identified any risks of significant weakness at this stage of the audit and expect to report that we are satisfied the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources on our conclusion of the work.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, we disclose the following to you:

The Authority took on a Chief Accountant on April 18, 2022. In May the Authority advised Grant Thornton that this individual was registered as a benched contractor for Grant Thornton. After internal consultation, it was determined that as the individual was considered an officer of the Authority, this would be determined as a breach of FRC 2.53.

We can confirm that as a benched contractor the individual has not worked on any assignments for Grant Thornton and the audit team have not had any communication with them as part of the delivery of the audit. We further mitigated any threat however by removal of the individual from the bench, effective July 13 2022.

We do not consider that there has been a compromise to independence. However, this is a breach of FRC 2.53 and therefore reportable to the Financial Reporting Council (FRC).

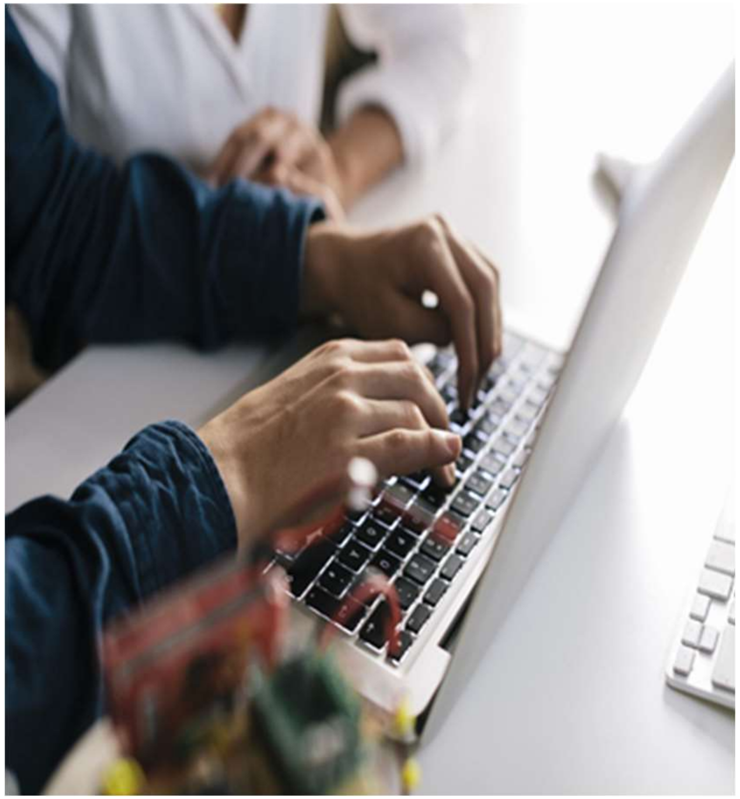
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 (grantthornton.co.uk)]



Appendices

A. Action plan – Audit of Financial Statements

We have identified 1 recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● medium	**Password security – Oracle database** We identified a weakness in Oracle password configuration. The password length is set to 6 characters and does not include a minimum password length of 8 character as per leading practices.	We recommend password security access to the Oracle database is set to a minimum 8-character length to help prevent unauthorised access to the system. Management response This relates to the existing finance system which is currently being replaced in December, as such we do not propose to amend this in the existing system.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issue in the audit of Lancashire Combined Fire Authority's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report.

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We have followed up on the implementation of our recommendation and note the management response given.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Self-authorisation of journals Our risk assessment of journal controls identified that there are no automated controls on the finance system to prevent members of finance staff approving their own journals. Whilst our audit work on journals so far has not identified any significant issues as a result of this weakness in internal controls, we recommend that the Authority establishes an authorisation control to reduce the risk of financial reporting fraud and/or error in future.	Management disagreed with implementing this recommendation on the basis that financial reporting processes are sufficient to identify if such an instance occurred. Also no errors or reporting fraud have occurred. Managements view is this recommendation is not practical given the size of the finance team. As the recommendation has not been implemented it still stands. Management response 2021/22 We have considered the recommendation. We believe our financial monitoring processes are sufficient to identify if such an instance occurred. Neither ourselves, nor internal and external audit, have discovered any instances of error or reporting fraud that the implementation of this would have prevented. Hence, given the size of our finance team, we don't feel that introducing further controls is practical or proportionate to the risk.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

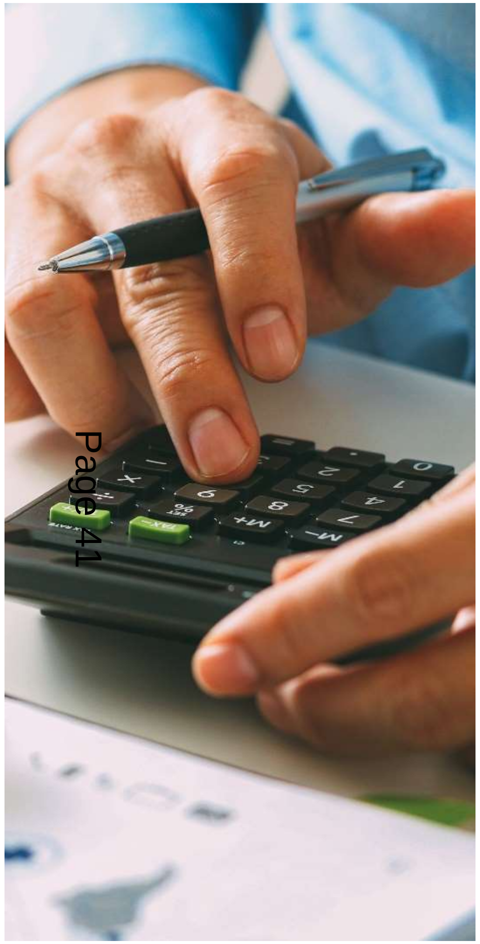
We are required to report
all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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 and misclassification changes	Detail	Adjusted?
Net Liability Related to Local Government and Firefighters' Pensions Schemes (Note 15)	Unfunded liabilities at 31 March 2022 were incorrectly shown as (£875,936k) due to a casting error and corrected to (£935,616k). Current service cost for unfunded liabilities 2021/22 uniformed firefighters were incorrectly included as £15,750k, and amended to £15,840k. Actuarial (gains) and losses 2021/22 uniformed firefighters were incorrectly included as £3,020k, amended to £2,023k. The Authority made a minor correction to the Reversal of net charges made to the deficit on provision of services in accordance with the code for 2021/22 uniformed firefighters from £9,500 to £9,590k.	✓
Financial Instruments (Note 8)	The Authority corrected the trade receivables at 31 March 22 (short term) from £4,112 to £3,003 to re-classify s31 business rates relief grants which were included. The Authority also made a minor correction to the trade payables at 31 March 22 (short term) from £5,202 to £5,210.	✓
Major sources of estimation and uncertainty (note 26)	The Authority made some updates to the details within the disclosure.	✓
Accounting policies (Note 29)	The Authority made some minor changes to the details within accounting policies to ensure these were all relevant and complete.	✓

C. Audit Adjustments



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Impact of adjusted misstatements

The following adjustments were identified by the Authority in the draft financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Trade debtors Payments in advance Invoices not raised at year end	0	Dr 210 Cr (210)	0
Sundry creditors Trade debtors Reduction to debtor already raised	0	Dr 1,629 Cr (1,629)	0.
Audit fee Sundry creditors Minor additional fee adjustment	Dr 13	Cr 13	Dr 13
Overall impact	Dr £13	Cr £13	Dr £13

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors Provisions The Authority has included a creditor for ongoing pensionable allowance claims. These first arose in 2019/20 and are still subject to legal challenge and for which the outcome is uncertain. We recognise the prudency of including these but as the outcome is uncertain they should be held as a provision, rather than a creditor.	0	Decrease 550 Increase 550	0	Not material
Overall impact	£0	£0	£0	

D. Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Authority Audit	£40,844	To be confirmed
Total audit fees (excluding VAT)	£40,844	To be confirmed

The fees reconcile to the financial statements.

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For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

E. Draft audit opinion

Our draft audit opinion is included below.

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

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Independent auditor's report to the members of Lancashire Combined Fire Authority

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements, comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include notes to the core financial statements and firefighters pension fund notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Treasurer with respect to going concern are described in the 'Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements' section of this report.

E. Draft audit opinion

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 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 the 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 in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Statement on Annual Governance arrangements does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Statement on Annual Governance arrangements addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters 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, the other information published together with the financial statements in the Statement of Accounts 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 and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

E. Draft audit opinion

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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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22. The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters' pension fund, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- large and unusual journal entries; and

- accounting estimates and critical judgements made by management.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;

- journal entry testing, with a focus on large and unusual journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and the defined pension fund net liability valuations;

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

E. Draft audit opinion

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and the defined pension fund net liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. Draft audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

• our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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.

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

F. Audit letter in respect of delayed VFM work

Councillor John Shedwick

Chair of Audit Committee

7 September 2022

Dear Councillor Shedwick

Delayed Value for Money reporting

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk

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Lancashire Combined Fire Authority
Audit Committee
Meeting to be held on 29 November 2022

Internal Audit Monitoring Report
(Appendix 1 refers)

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

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2022/23.

Decision Required

The Committee is asked to note/endorse the report.

Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 9 November 2022 is attached as Appendix 1, and will be presented by the Head of Internal Audit.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:
Date:
Contact:

Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

Lancashire Combined Fire Authority

Internal Audit Service monitoring report: period ended 9 November 2022

Internal Audit Service

1. Introduction

1.1. This report supports Audit Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2022/23 audit plan, agreed at the March 2022 Committee meeting.

1.2. We are grateful for the assistance that has been provided to us in the course of our work.

2. Summary of progress against the 2022/23 audit plan

2.1. Work carried out during the period 1 April 2022 to 9 November 2022 was in accordance with the agreed audit plan. To date, 18.25 days have been spent this financial year on completion of the 2022/23 plan, equating to 26% of the total planned audit activity of 70 days. The table below shows the current status of all audit work.

No areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

Audit review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
Governance and business effectiveness					
Overall governance, risk management and control arrangements	3	0.25	2.75	Progressing	N/A
Service delivery and support					
Recruitment	12	1	11	Progressing	N/A
Carbon Management Arrangements	12	0	12	Not Started	N/A
Business processes					
Accounts payable	8	0	8	Not started	N/A
Accounts receivable	5	0	5	Not started	N/A
General ledger	5	0	5	Not started	N/A
HR/ Payroll	9	8	1	Completed	Substantial

Pensions administration	1	0	1	Not started	N/A
Treasury management	4	4.5	(0.5)	Completed	● Substantial
Follow up audit activity					
Training, Learning and Development	1	2	(1)	Progressing	N/A
Management of On Call provision	1	0	1	Not started	N/A
Other components of the audit plan					
Management activity	8	2.5	5.5	N/A	
National Fraud Initiative	1	0	1		

3. Extracts from Audit Reports

3.1. Extracts of assurance summaries are shown below.

Treasury Management

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

LCFA has a Service Level Agreement with Lancashire County Council (LCC) for the provision of a treasury management service. This includes cash flow management, investment of cash balances and the arrangement of borrowing.

We can provide substantial assurance on the controls operating over treasury management. The system of control is adequately designed and effectively operated. There are no actions proposed in this report. The Treasury Management Strategy provides a framework for treasury management activity and the strategy has been followed by officers during the period covered by our review.

Human Resources & Payroll

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

The review considered the adequacy and effectiveness of the controls in place within the Payroll and Human Resources (HR) service, to mitigate the risks of fraudulent and unauthorised appointments or payments and unauthorised access to the HR and payroll systems and records.

A monthly managed payroll service is provided by Greater Manchester Fire and Rescue Service (GMFRS) using the Midland i-Trent payroll system, via a delegation of function, Lancashire Fire and Rescue Service (LFRS) HR and Payroll teams retain responsibility for the quality of data and the input of payroll information into the Midland i-Trent system.

A strong control environment exists over HR and payroll processes, to ensure that valid appointments have been correctly established and the right amount is paid to individuals at the right time. Monitoring arrangements are in place to prevent and detect any anomalies or errors that might arise. A good working relationship is also in place with the payroll provider.

Audit assurance levels and classification of residual risk

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance**: the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance**: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance**: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance**: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently*.

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken*.

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but when combined with others could give cause for concern. *Specific remedial action is desirable.*

Lancashire Combined Fire Authority
Audit Committee
Meeting to be held on 29 November 2022

Statement of Accounts 2021/22
(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 Statement of Accounts for the financial year ended 31 March 2022. This includes the Authority's 25% share of the North West Fire Control accounts.

Recommendation

The Committee is asked to approve the Statement of Accounts as presented and authorise the Chair of the Committee to sign these.

Information

The Combined Fire Authority's Statement of Accounts is attached as Appendix 2.

The following sections summarise the details contained within the core statements:-

Narrative Report

This sets out the financial context in which the Combined Fire Authority operates and provides an overview of the financial year 2021/22 as well as details of future plans.

Comprehensive Income & Expenditure Account

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

The main points to note are: -

	2021/22	2020/21	
Service Delivery	30,391	32,645	The cost-of-Service Delivery shows a decrease when compared with the previous year, due to the impact of the ISAS19 pension accounting adjustment which is partly offset by Prevention & Protection

			moving to the Service Delivery Directorate from the Strategy & Planning Directorate.
Strategy & Planning	10,928	12,415	The cost of Strategy & Planning shows a decrease when compared with the previous year, due to Prevention & Protection moving from the Strategy & Planning Directorate to the Service Delivery Directorate.
People & Development	1,920	1,611	The cost of People & Development is broadly comparable with last year.
Corporate Services	4,653	4,821	The cost of Corporate Services is broadly comparable with last year.
Fire Fighters Pensions	1,239	1,285	These are the ongoing pension costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	1,217	1,574	This heading includes all capital financing charges, refunds made in respect of the LGPS surplus, and depreciation and impairment charges made in respect of assets.
Gain On Disposals of Fixed Assets	(3)	(17)	This relates to the sale of surplus vehicles.
Interest Payable	1,408	1,439	This heading includes the interest payable in respect of current loans, and the interest charges associated with the PFI scheme and finance leases, which are in line with the previous year's charges.
Pension Interest Cost and Expected Return on Assets	17,648	18,207	This relates to adjustments required under IAS 19 requirements and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme is unfunded there is no increase in asset value to offset the increase in scheme costs resulting in the charge to the Income and Expenditure Account.
Interest Receivable	(206)	(253)	This is broadly comparable with last year.
Council Tax*	(33,160)	(31,055)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities.
Revenue Support Grant	(8,570)	(8,523)	The level of Revenue Support Grant allocated to the Authority by the Government
Non-Domestic Rates Redistribution*	(14,786)	(13,565)	Amounts raised through non-domestic rates, including the Authority's element of business rates collection fund surplus/deficit accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part

			of the localisation of business rates. The change between years reflects the changes in the collection fund for this.
Business rates S31 grant	(1,360)	(1,284)	This grant is allocated to the Authority by the Government and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Business rates additional reliefs S31 grant	(1,101)	(1,925)	The balances relate to additional business rates relief funding
Local Taxation Income guarantee	(4)	(132)	This grant is allocated to the Authority by the Government and offset s losses in local taxation that are attributable to the pandemic.
Capital grant income	(253)	(253)	This grant is the Authority's 25% share of the capital grant received by NWFC.
Covid 19 S31 grant	-	(1,346)	This reflects the S31 grant received during 2020/21
Deficit On the Provision of Services	**9,962**	15,643	The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pension's schemes. As such this does not show the actual surplus when comparing spend against council tax.
(Surplus)/Deficit on Revaluation of Non-Current Assets	(10,610)	(2,523)	This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.
Actuarial (Gains)/ Losses on Pensions Assets and Liabilities	(13,400)	61,444	This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.
Total Comprehensive Income and Expenditure	**(14,047)**	74,564	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

In order to aid understanding the following table shows the comparison between the revenue budget position, as reported to Resources Committee, and the Total Comprehensive Income and Expenditure figure set out above:-

	£m
Revenue Outturn	(0.332)
NWFC Outturn	(0.073)
Accounting for pensions under IAS19	9.130

Revenue Contributions to Capital Outlay	(2.373)
Adjustments between accounting basis and funding basis under regulations	3.610
Deficit on the provision of services	**9.962**
Surplus on revaluation of non-current assets	(10.610)
Actuarial loss on pensions assets and liabilities	13.400
Total Comprehensive Income and Expenditure	**14.047**

Movement in Reserves Statement

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

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

The main points in respect of are:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	36,979	(804,713)	(767,734)	
Deficit on the provision of service	(9,962)	-	(9,962)	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. As set out earlier it is not accounted for on the same basis as we account for council tax and hence does not tie into the actual revenue position set out in the Year End Revenue Outturn report.
Other Comprehensive Income and Expenditure	-	24,009	24,009	This relates to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities
Charges for depreciation and impairment of non-current assets	4,863	(4,863)		This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year

Amortisation of intangible assets	158	(158)		This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Statutory provision for the repayment of debt	(458)	458	-	This is the charge made against the revenue budget to reduce future borrowing requirements, and includes an element relating to debt associated with PFI and finance leases
Capital expenditure charged against General Fund Balance	(2,373)	2,373	-	This is the level of capital expenditure which has been funded from contributions from the 2021/22 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Amount by which the Code and the statutory pension costs differ	9,130	(9,130)		This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
Amount by which collection fund income in the comprehensive income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements	(1,585)	1,585	-	This shows the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the amount collection authorities have actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate.
Net increase / decrease before transfers to earmarked reserves	(228)	14,275	14,047	This shows the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

Transfers (to) / from capital funding reserves	(977)	977	-	These represents the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(102)	(102)	-	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the decrease in the amount of leave owing to staff at the year end.
Increase / Decrease in the year	(1,306)	15,351	14,047	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don't affect council tax and any transfers to/from earmarked reserves and ties into the overall change in Usable reserves included in the Year End Usable Reserves and Provisions Outturn report
Balance at 31 March	**35,673**	**(789,359)**	**(753,686)**	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie into the values shown in the Year End Usable Reserves and Provisions Outturn report.

Balance Sheet

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

The main points to note are: -

	2021/22	2020/21	
Long Term Assets			
Property, Plant & Equipment	108,637	99,538	The value of property, plant & equipment has increased by £9m, due to the level of capital expenditure (£3m as shown in the Year End Capital Outturn report) and the net revaluation gains of £11m compared with depreciation charges of £5m.
Intangible assets	523	639	Intangible assets are assets which do not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	5,000	10,000	The Authority holds one investment with Local Government bodies which is classed as long-term investments, i.e. over 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Current Assets			
Inventories	257	279	The value of stock held has remained broadly in line with last year.
Short-Term Investments	10,000	5,000	The Authority holds two investments with Local Government bodies which are classed as short-term investments, i.e. under 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Short-Term Debtors*	12,888	10,885	Debtors represent monies owed to the Authority on 31st March 2021. In order to improve cash flow this figure should be as low as possible; however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The main debt relates to Council Tax, Business Rates (which represent our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due. The level of debtors at the year-end has increased reflecting the increase in both of these.
Cash & Cash Equivalents	17,896	22,603	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report. The reduction reflects the investment in fixed assets, the increase in

			debtors (referred to earlier) and a reduction in creditors (referred to below).
Current Liabilities			
Other Short-Term Liabilities	(492)	(452)	This relates to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short-term element of finance leases.
Short-Term Creditors*	(9,296)	(12,621)	This figure represents the amount of money we owe to other bodies at 31st March 2022. The overall balance has reduced mainly due to the payment of costs associated with the pensionability of allowances.
Long Term Liabilities			
Provisions*	(1,447)	(1,398)	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the Authorities share of billing authorities' business rates outstanding appeals.
Long-Term Borrowing	(2,000)	(2,000)	This represents the amount of long-term debt that the Authority holds which does not mature within the next 12 months. The balance of £2.0m is due to mature between 2035-2037.
Other Long-Term Liabilities	(895,652)	(900,205)	This majority of this relates to adjustments required under IAS 19 and shows the extent to which the authority's liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £883m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; • PFF Lancashire Ltd for the provision of two fire stations, • Fire and Rescue NW Ltd for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to an outstanding finance lease.
Total Assets Less Liabilities	**(753,686)**	(767,732)	

Financed By			
Usable Reserves:			
Revenue Reserves	(16,278)	(17,233)	This is the level of reserves that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves. The reduction in year represents the usage of Covid and Business Rate Relief grants, as referred to in the Year End Revenue Outturn report, and the Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,672)	(17,967)	This reserve holds £18.0m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant Unapplied	(40)	(101)	The capital grant unapplied relates to the Authority's share of the NWFC end of year balances.
Usable Capital Receipts Reserve	(1,683)	(1,680)	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. The increase in value representing the sale proceeds for vehicles, as referred to in the Year End Usable Reserves and Provisions Outturn reports.
Unusable Reserves:			
Revaluation Reserve	(56,221)	(47,400)	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Capital Adjustment Account	(39,469)	(38,893)	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Pensions Reserve	883,434	887,704	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
Collection Fund	776	2,361	This account reflects the net effect of the adjustments required to show our share of each

Adjustment Account*			billing authority's council tax and business rates debtors and creditors at year end.
Accumulated Absences Adjustment Account	839	941	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position. The reduction reflects the increase in leave taken
	753,686	767,732	

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The main points to note are:-

	2021/22	2020/21	
Net Cash Flows Arising from Operating Activities	1,162	3,388	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc., offset by payments made in respect of employee costs and non-pay costs etc.
Investing Activities	(4,032)	(6,874)	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as expenditure on capital assets.
Financing Activities	(1,837)	(1,833)	This relates to the repayment of long-term debt, including that associated with PFI and finance leases.
Net increase/(decrease) in cash and cash equivalents	**(4,707)**	(5,319)	This shows the movement in the net cash immediately available within the Authority in a call account with LCC.

Signing of the Draft Statement of Accounts

The unaudited Statement of Accounts were signed by the Treasurer on 5 August 2022 to certify that they presented a true and fair view of the financial position of the Authority as at 31 March 2022.

Subsequent to that the full set of accounts were submitted for audit to Grant Thornton.

The Statement of Accounts has now been updated to reflect the changes identified during the audit (as per appendix 1 – extract from the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts is attached as appendix 2.

Approval and Signing of the Accounts

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

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:	SORP and Guidance
Date:	March 2022
Contact:	Keith Mattinson, Director of Corporate Services
Paper:	Final Account Working Papers
Date:	November 2022
Contact:	Keith Mattinson, Director of Corporate Services

Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

C. 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.

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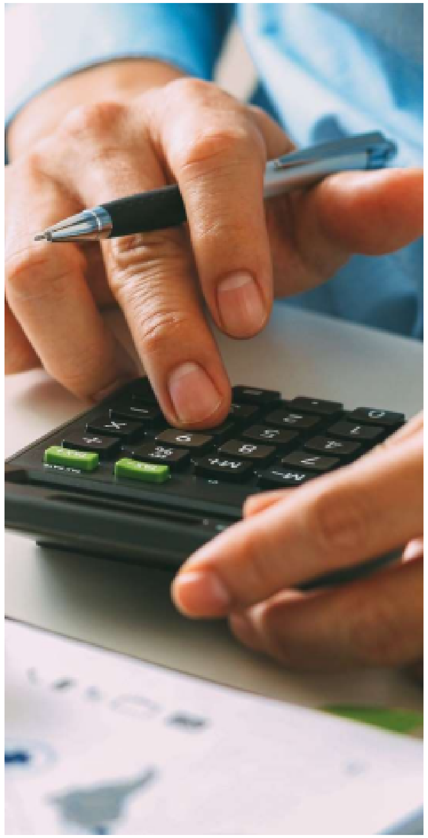
Misclassification and disclosure changes

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 and misclassification changes	Detail	Adjusted?
Net Liability Related to Local Government and Firefighters' Pensions Schemes (Note 15)	Unfunded liabilities at 31 March 2022 were incorrectly shown as (£875,936k) due to a casting error and corrected to (£935,616k). Current service cost for unfunded liabilities 2021/22 uniformed firefighters were incorrectly included as £15,750k, and amended to £15,840k. Actuarial (gains) and losses 2021/22 uniformed firefighters were incorrectly included as £3,020k, amended to £2,023k. The Authority made a minor correction to the Reversal of net charges made to the deficit on provision of services in accordance with the code for 2021/22 uniformed firefighters from £9,500 to £9,590k.	✓
Financial Instruments (Note 8)	The Authority corrected the trade receivables at 31 March 22 (short term) from £4,112 to £3,003 to re-classify s31 business rates relief grants which were included. The Authority also made a minor correction to the trade payables at 31 March 22 (short term) from £5,202 to £5,210.	✓
Major sources of estimation and uncertainty (note 26)	The Authority made some updates to the details within the disclosure.	✓
Accounting policies (Note 29)	The Authority made some minor changes to the details within accounting policies to ensure these were all relevant and complete.	✓

C. Audit Adjustments



Impact of adjusted misstatements

The following adjustments were identified by the Authority in the draft financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Trade debtors Payments in advance Invoices not raised at year end	0	Dr 210 Cr (210)	0
Sundry creditors Trade debtors Reduction to debtor already raised	0	Dr 1,629 Cr (1,629)	0.
Audit fee Sundry creditors Minor additional fee adjustment	Dr 13	Cr 13	Dr 13
Overall impact	Dr £13	Cr £13	Dr £13

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors Provisions The Authority has included a creditor for ongoing pensionable allowance claims. These first arose in 2019/20 and are still subject to legal challenge and for which the outcome is uncertain. We recognise the prudency of including these but as the outcome is uncertain they should be held as a provision, rather than a creditor.	0	Decrease 550 Increase 550	0	Not material
Overall impact	£0	£0	£0	

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Appendix 2

STATEMENT OF ACCOUNTS

2021/22

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2021/22

CONTENTS

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 2021/22
- 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 2022 (referred to as 2021/22). It has been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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 2021/22, 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 2022, 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.

In 2021, like the rest of the country, we continued to work in a hybrid model as Covid-19 infections oscillated. We continued to play a major role in the Lancashire Resilience Forum over the course of the year with volunteers continuing to assist in the vaccination programme across Lancashire.

By winter, all of the services that we provide were back up and running whilst some utilised the new technology that was brought in as a result of working from home. The service introduced a new business fire safety check which complements our well-established home fire safety check service. Youth activities including Prince’s Trust and Fire Cadet courses have resumed at fire station.

This year saw the service continue to invest in property and equipment. We opened the new BA school and fleet garages at Service Training Centre which incorporates the best cleaning technology on the market to produce a state-of-the-art training facility. We also added two new Hagglund vehicles to our fleet following the launch of our new climate change operational response plan.

We have continued to develop collaborative opportunities. We are continuing to review further opportunities for site sharing with both North West Ambulance Service and Lancashire Constabulary.

Operationally, our firefighters have responded to large wildfires, flooding, gas explosions whilst some of our crews were sent to Greece to help with the enormous wildfires affected their country.

2021/22 activity increased by 1,607 incidents over the previous year to record a total of 18,941. The number of accidental dwelling fires decreased by 28 and deliberate dwelling fires also reduced slightly to 99. A total of 759 gaining entry incidents were undertaken in 2021/22, which is 52 fewer than the previous year.

The Authority recruited 47 new whole-time firefighters and 50 new on call firefighters, of which 11% were female and 2% were from a BME background.

In 2021/22 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook its second independent inspection of the Service. We received an overall rating of ‘Good’, with a ‘Good’ rating in all categories other than ‘Promoting the right values and culture’ in which we achieved a rating of ‘Outstanding’, and had no areas that ‘require improvement’. The results mirror those of the service’s first full inspection in 2018, with the new report highlighting that the service has improved in almost all areas since then. Her Majesty’s Inspector of Fire and Rescue Services, Matt Parr, said: “*I congratulate Lancashire Fire and Rescue Service on its excellent performance across all three areas of our assessment.” “Importantly for the public, the service is good at understanding and preventing fires and other risks, as well as good at protecting people and responding to fires and other emergencies, and major and multi-agency incidents. It has improved consultation about its community plan.“ “The service is outstanding at promoting the right culture and values and has developed a talent management process. It has a good understanding of its future financial challenges and has identified savings and investment opportunities.*”

Further details can be found in our Annual Service Report.

The 2021/22 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.

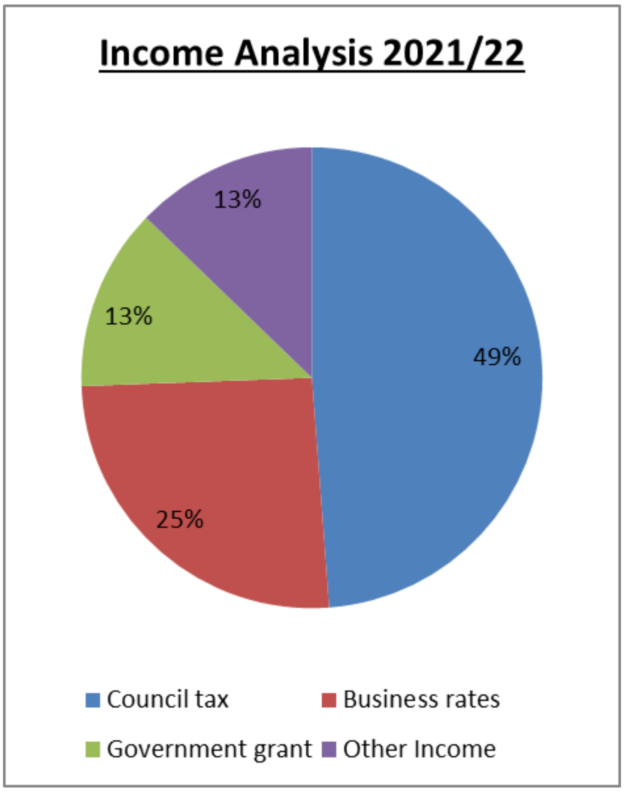
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

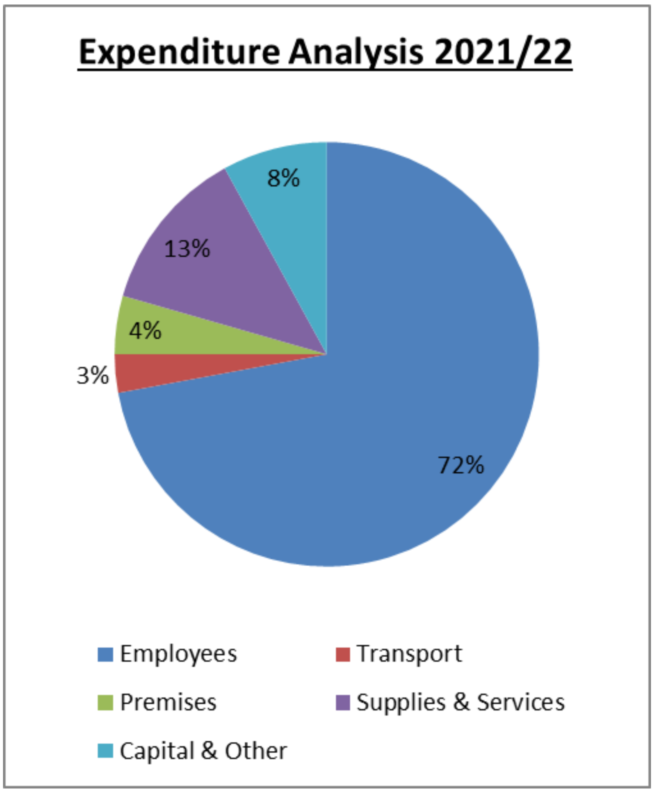
- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account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

The Authority agreed a gross revenue budget of £58.2m, an increase of 1.5%, and a council tax of £72.27. This represented a 1.99% 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 £0.3m, with the main variances relating to vacant posts, as early leavers/retirements/vacancies have outstripped budgetary allowances, which is partly offset by unfunded pay awards and increased capital financing costs associated with changes to the capital programme. This has negated the need for any drawdown from reserves to support the budget.

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





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

	Budget	Spend	(Under)/ over spend
Employees: pay costs	47,027	46,572	(455)
Other employee related costs	1,491	1,409	(82)
Premises	3,076	2,950	(126)
Transport	1,982	1,953	(29)
Supplies & services	8,676	8,366	(310)
Capital financing costs & other	4,319	5,314	995
Total Expenditure	66,570	66,564	(7)
Other Income	(8,395)	(8,544)	(149)
Budget requirement	58,175	58,020	(155)
Funded by:			
Council tax	(32,649)	(32,648)	0
Business rates	(16,957)	(17,134)	(177)
Government grant	(8,570)	(8,570)	(0)
	(58,175)	(58,352)	(177)
Net Underspend	-	(332)	(332)

The following reconciliation shows the comparison between the revenue budget position, as set out above, and the Total Comprehensive Income and Expenditure figure reported in the accounts on page 18.

	£m
Revenue Outturn	(0.332)
Recognise 25% share in North West FireControl Limited	(0.073)
Accounting for pensions under IAS19	9.130
Revenue Contributions to Capital Outlay	(2.373)
Adjustments between accounting basis and funding basis under regulations	3.610
Deficit on the provision of services	**9.962**
Surplus on revaluation of non-current assets	(10.610)
Actuarial gain on pensions assets and liabilities	(13.400)
Total Comprehensive Income and Expenditure	**(14.047)**

As the Authority's current general fund balance stands at £6.0m and given the scale of the capital programme the revenue underspend of £0.3m has been transferred into the capital funding reserve, reducing future borrowing requirement. The Authority's (excluding North West FireControl) general fund balance therefore remains at £6.0m within the target level identified by the Treasurer (a minimum of £4.0m and a maximum of £10.0m). (Note the General Fund Balance including our share of North West FireControl general reserves is £6.5m.)

The Authority also holds an additional £9.7m of earmarked revenue reserves and £19.4m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy, reducing to zero in 2024/25. 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 £3.3m, with the main contributors to this being set out over the page:-

	Spend
Vehicles • Operational Vehicles • Support Vehicles –various support vehicles, such as vans and cars	 £0.1m £0.2m
Operational Equipment • Defibrillators	 £0.1m
ICT Equipment • VMDS/MDT hardware replacement	 £0.1m
Buildings • Training Centre – STC Workshop • Other	 £2.7m £0.1m
Total	£3.3m

The Balance Sheet shows that the Authority's Total Net Liabilities reduced from £768m to £754m. 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 £883m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £129m. 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 slightly in value to £114m, reflecting the investment in our asset base and the impact of revaluations.

Future Financial Plans

Due to economic uncertainty the anticipated 4 year Spending Review was again reduced to a single year review, covering 2022/23, with a multi-year settlement anticipated for next year. This year should also have seen the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, however given current pandemic and economic uncertainty both of these have been put on hold for at least a further 12 months. As a result the 2022/23 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 1.0%.

The Government amended the council tax referendum principles for 2022/23, allowing Fire Authorities in the bottom quartile for council tax levels to increase by £5. Lancashire were in the bottom quartile and hence benefited from this increased flexibility and agreed a council tax of £77.27. Raising council tax by the maximum permissible still only increases the overall council tax bill by £5 but generates £2.25m of funding for the Authority. This increase provides an opportunity to address some of the capacity and pay issues within support functions, supporting the delivery of further efficiencies, as well as reduce the pressure on the ECR delivering sufficient change to offset the cessation of DCP and meet future budget pressures. It gives greater long term funding certainty which will form the basis of our future investment requirements, which are essential if we are to hit our 'road to outstanding' ambition and be the best equipped, best trained and best accommodated Service. .

The Authority therefore agreed a revenue budget of £63.0m, allowing for inflationary pressures, and the need to invest in greater recruitment, support function capacity and resilience, as well as our asset base. 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.

Given economic uncertainty, particularly surrounding the Covid-19 pandemic, the longer term implications of Brexit, 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 had assumed that the funding will increases broadly in line with inflation, at 1.0% per annum. Based on this we will be able to set a broadly balanced budget in future years, after allowing for council tax increases of 2% in line with the assumed referendum principles in future years.

The capital budget continues to invest in our asset base, in particular vehicle replacement, new operational equipment, new IT requirements and refurbishment/replacement of stations/buildings. This gives rise to a capital program of £47m over the next five years.

We will continue to invest to ensure that our staff have the best equipment available, our vehicle programme sees us investing in enhanced aerial capability, whilst our operational equipment investment includes the replacement of our Breathing Apparatus sets and telemetry, and our cutting/extrication equipment.

When the national Emergency Services Mobile Communications Programme (ESMCP) progresses to a stage where we can purchase replacement radio and mobilising equipment we will upgrade our current provision. This project has incurred delays and is outside of our control. It is assumed that any costs to the Authority will be funded by specific capital grant

The majority of the capital programme relates to planned enhancements to our building stock, including the potential replacement of Service HQ and Preston Fire Station, together with enhancements to our training props at our Service Training Centre.

The capital programme shows the Authority utilising all of its capital reserves and receipts part way through 2024/25, meaning that the remainder of the capital programme will need to be met from either capital grant (if available), additional revenue contributions or from new borrowing. Any borrowing will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision - MRP) charges. As we have already set aside funds (prepaid MRP) to offset our existing £2.0m of PWLB borrowing we would need to take out new borrowing of £7.5m. This has a significant impact on the revenue budget, in terms of interest payments and setting aside a sum equivalent to the Minimum Revenue Provision (MRP), and is reflected in our Medium Term Financial Strategy.

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 collection rates, 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;
- Significant changes in retirement profiles;
- Increase in costs arising from demand led pressures, i.e., increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;
- Inadequacy of insurance arrangements

Accounting Changes

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

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

Scope of Responsibility

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

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

The Authority has approved and adopted 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 2022 and up to the date of approval of the 2021/22 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 Community Risk Management Plan (CRMP) 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 2022-2027 can be found on our website at https://www.lancsfirerescue.org.uk/wp-content/uploads/2022/04/Community-Risk-Management-Plan_2022-27-FINAL-VERSION-13-April-22-amends-page-15.pdf

- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan was approved this year and can be found on our website at Annual Service Plan 2022-23 - Lancashire Fire and Rescue Service (lancsfirerescue.org.uk)

- 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 Service Report;

- 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, which 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 and CIPFAs Financial Management Code;

- Well publicised arrangements for dealing with complaints and whistleblowing, 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:-

- A new Community Risk Management Plan covering the five-year period 2022-2027 has been agreed and published in year.

- We updated our Strategic Assessment of Risk.

- We continued to adapt working practices during 2021/22 due to the ongoing impact of the Covid-19 pandemic:-

- Our business continuity arrangements continued ensuring the delivery of the critical activities of a fire and rescue service
- Operational staff continued to respond to emergency incidents in the usual way
- Fire prevention and fire protection activity continued through the pandemic, initially at a reduced level, however it was specifically targeted on those most at risk
- There was a temporary suspension of some non-emergency functions and secondary activities
- To support our partner agencies the Service undertook a wide range of additional work, most notably supporting the local vaccination programme
- All aspects of the service experienced a number of changes to working practices, implemented in order to ensure staff safety during the pandemic, with hybrid working continuing where appropriate
- We continued to support the psychological wellbeing of staff, recognising the additional pressures imposed by the demands of the pandemic
- Relevant Authority/Committee meetings were cancelled between March and May 2020, with the Authority's Urgent Business process being used as required. Virtual Authority/Committee meetings continued at the start of the year, with in person meetings recommencing in June 2021. Member oversight continued throughout the restrictions with regular briefings from officers.
- The Service was able to manage the additional work and it did not result in any negative effects upon either the operation of the Authority's governance arrangements or our ability to fulfil our statutory functions

* HMICFRS undertook a thematic inspection on the Services response to the COVID-19 pandemic in 2020/21. Whilst no overall rating is provided the report stated "In *summary, the service adapted and responded to the pandemic effectively. It used on-call and wholetime firefighters to respond to emergencies, and it gave additional support to the community during the first phase of the pandemic. Prevention and protection staff made home fire safety visits to the most vulnerable people and businesses. They used appropriate personal protective equipment (PPE) for these visits. This meant the people of Lancashire were well supported throughout the pandemic. The service was able to effectively deal with some significant incidents, such as wildfires and flooding, during this period*."

* A new Annual Service Plan has been published, providing clarity, both internally and externally, on our priorities set out in the CRMP 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.

* Statement of Intent: Enhanced Collaboration agreed between LFRS, Lancashire Constabulary and North West Ambulance Services. Collaboration group established with regular reports 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 2021/22 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 2020/21:
    - Financial statements – "*We gave an unqualified opinion on the Authority's financial statements on 30 September 2021*."
    - Value for money conclusions:-
        - Financial Sustainability – "*We found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services*"
        - Governance – "*We found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks*"
        - Improving economy, efficiency and effectiveness - "*We found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services*"

- HMICFRS undertook its second full inspection of the Service in 2021/22. We received an overall rating of 'Good', with a 'Good' rating in all categories other than 'Promoting the right values and culture' in which we achieved a rating of 'Outstanding', and had no areas that 'require improvement'. The results mirror those of the service's first full inspection in 2018, with the new report highlighting that the service has improved in almost all areas since then. Her Majesty's Inspector of Fire and Rescue Services, Matt Parr, said: "*I congratulate Lancashire Fire and Rescue Service on its excellent performance across all three areas of our assessment." "Importantly for the public, the service is good at understanding and preventing fires and other risks, as well as good at protecting people and responding to fires and other emergencies, and major and multi-agency incidents. It has improved consultation about its community plan." "The service is outstanding at promoting the right culture and values and has developed a talent management process. It has a good understanding of its future financial challenges and has identified savings and investment opportunities.*"

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
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	The Assurance Monitoring System is operational and being utilised across many different departments to manage and track items such as Debriefs / National Operational Learning / Grenfell Tower Inquiry	Completed	Head of Digital Transformation
Performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation	This has been rolled out	Completed	Head of Human Resources
An updated CRMP covering the period 2022/27 will be produced	Updated CRMP agreed and published	Completed	CFO

The outcome of the Staff Survey will be published and, where relevant, acted upon	The outcomes were published in May 2021, with improvements being implemented such as: • Improved maternity, adoption and paternity pay at LFRS • Installed new Teams equipment at every station • Implemented a Hybrid Flexible working policy	Completed	Head of Corporate Communications
A project to replace the existing Performance Management System will commence	This project has commenced but is in the early stages due to capacity issues.	March 2023	Head of Service Development
An upgraded Finance system will be implemented in April 2022, as part of that we will review and implement improvements to the monthly budget monitoring process, making greater use of additional functionality provided	LCC have delayed implementation of the system, with a revised target date of Autumn 2022.	December 2022	Head of Finance
Develop business cases where required to ensure that value for money is evidenced	A new template has been designed and utilised as part of the budget setting process	Completed	Director of Corporate Services

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 area for improvement, are listed below:

- Embed the Core Code of Ethics into our corporate policy, and recruitment and promotion process

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.

Approved:

County Councillor D O'Toole,
Chairman,
Lancashire Combined Fire Authority
14 September 2022

J Johnston,
Chief Fire Officer,
Lancashire Fire and Rescue Service
14 September 2022

K Mattinson CPFA,
Treasurer,
Lancashire Combined Fire Authority
14 September 2022

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

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the financial affairs and to 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 ('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 2022.

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
29 November 2022

John Shedwick
Chair of Audit Committee
29 November 2022

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		2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
	Continuing operations:	£000	£000	£000	£000	£000	£000
1	Service Delivery	32,756	(2,364)	30,391	34,637	(1,992)	32,645
1	Strategy and Planning	11,912	(984)	10,928	13,238	(823)	12,415
1	People and Development	1,921	(1)	1,920	1,613	(2)	1,611
1	Corporate Services	4,802	(149)	4,653	4,880	(58)	4,821
1	Fire-fighters Pensions	1,259	(19)	1,239	1,307	(23)	1,285
1	Overheads	6,429	(5,211)	1,217	6,587	(5,014)	1,574
1	Net Cost of Services	**59,078**	**(8,729)**	**50,349**	**62,262**	**(7,912)**	**54,350**
	Gain on disposal of non current assets			(3)			(17)
	Financing & investment income & expenditure						
8	Interest payable and similar charges			1,408			1,439
15	Pensions interest cost and expected return on pensions assets			17,648			18,207
8	Interest receivable and similar Income			(206)			(253)
	Taxation and non-specific grant income						
	Taxation on NW FireControl			-			-
	Council tax			(33,160)			(31,055)
	Revenue Support Grant			(8,570)			(8,523)
	Non-domestic rates redistribution			(14,786)			(13,565)
	Business rates S31 grant			(1,360)			(1,284)
	Business rates S31 grant – additional reliefs			(1,101)			(1,925)
	Local taxation Income Guarantees			(4)			(132)
	Capital grant income			(253)			(253)
	Covid relief S31 grant			-			(1,346)
	Deficit on the provision of services			**9,962**			**15,643**
	Surplus on revaluation of non-current assets			(10,610)			(2,523)
18	Actuarial (gains)/losses on pensions assets and liabilities			(13,400)			61,444
	Other comprehensive income & expenditure			(24,009)			58,921
	Total Comprehensive Income and Expenditure			**(14,047)**			**74,564**

MOVEMENT IN RESERVES STATEMENT 2021/22

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 2021 carried forwards	6,463	10,769	17,232	17,966	101	1,680	36,979	(804,713)	(767,734)
Movement in reserves during 2021/22									
Surplus/(Deficit) on provision of services	(9,962)		(9,962)				(9,962)	-	(9,962)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	24,009	24,009
Total comprehensive income and expenditure	(9,962)		(9,962)				(9,962)	24,009	14,047
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,863		4,863				4,863	(4,863)	-
Amortisation of intangible assets	158		158				158	(158)	-
Disposal of assets	(3)		(3)			3	-	-	-
Capital grants unapplied	61		61		(61)		-	-	-
Provision for the repayment of debt	(458)		(458)				(458)	458	-
Capital expenditure charged against General Fund Balance	(2,373)		(2,373)				(2,373)	2,373	-
Amount by which the Code and the statutory pension costs differ	9,130		9,130				9,130	(9,130)	-
Amount by which the Code and the statutory collection fund income differ	(1,585)		(1,585)				(1,585)	1,585	-
	9,793	-	9,793	-	(61)	3	9,735	(9,735)	-
Net increase/decrease before transfers to earmarked reserves	(169)	-	(169)	-	(61)	3	(228)	14,275	14,047
Transfers (to)/from earmarked reserves	690	(690)	-				-	-	-
Transfers (to)/from capital funding reserve	(346)	(337)	(683)	(294)			(977)	977	-
Transfers (to)/from accumulated absences adjustment account	(102)		(102)				(102)	102	-
Net tfr (to)/from earmarked reserves	242	(1,027)	(785)	(294)	-	-	(1,079)	1,079	-
Increase/(Decrease) in the year	73	(1,027)	(954)	(294)	(61)	3	(1,306)	15,351	14,047
Balance at 31 March 2022 carried forwards	6,536	9,742	16,278	17,672	40	1,683	35,673	(789,359)	(753,686)

MOVEMENT IN RESERVES STATEMENT 2020/21

	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 2020 carried forwardsas restated	6,350	7,827	14,177	17,582	438	1,663	33,860	(727,029)	(693,169)
Movement in reserves during 2020/21									
Surplus/(Deficit) on provision of services	(15,643)	-	(15,643)	-	-	-	(15,643)	-	(15,643)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(58,921)	(58,921)
Total comprehensive income and expenditure	(15,643)	-	(15,643)	-	-	-	(15,643)	(58,921)	(74,564)
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,953	-	4,953	-	-	-	4,953	(4,953)	-
Amortisation of intangible assets	221	-	221	-	-	-	221	(221)	-
Disposal of assets	(17)	-	(17)	-	-	17	-	-	-
Capital grants unapplied	337	-	337	-	(337)	-	-	-	-
Provision for the repayment of debt	(422)	-	(422)	-	-	-	(422)	422	-
Capital expenditure charged against General Fund Balance	(2,491)	-	(2,491)	-	-	-	(2,491)	2,491	-
Amount by which the Code and the statutory pension costs differ	13,584	-	13,584	-	-	-	13,584	(13,584)	-
Amount by which the Code and the statutory collection fund income differ	2,950	-	2,950	-	-	-	2,950	(2,950)	-
	19,115	-	19,115	-	(337)	17	18,796	(18,796)	-
Net increase/decrease before transfers to earmarked reserves	3,472	-	3,472	-	(337)	17	3,153	(77,716)	(74,564)
Transfers (to)/from earmarked reserves	(3,142)	3,142	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	(347)	(200)	(547)	384	-	-	(163)	163	-
Transfers (to)/from accumulated absences adjustment account	130	-	130	-	-	-	130	(130)	-
Net tfr (to)/from earmarked reserves	(3,359)	2,942	(417)	384	-	-	(33)	33	-
Increase/(Decrease) in the year	113	2,942	3,056	384	(337)	17	3,120	(77,684)	(74,564)
Balance at 31 March 2021 carried forwards	6,463	10,769	17,233	17,966	101	1,680	36,980	(804,713)	(767,733)

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 2022 £000	At 31 March 2021 £000
	Long Term Assets		
6	Property, Plant & Equipment	108,637	99,538
7	Intangible Assets	523	639
8	Long-Term Investments	5,000	10,000
		114,160	110,177
	Current Assets		
	Inventories	257	279
8	Short Term Investments	10,000	5,000
9	Short Term Debtors	12,888	10,885
10	Cash & Cash Equivalents	17,896	22,603
		41,041	38,767
	Current Liabilities		
8	Other Short Term Liabilities	(492)	(452)
11	Short Term Creditors	(9,296)	(12,621)
		(9,788)	(13,073)
	Long Term Liabilities		
12	Provisions	(1,447)	(1,398)
8	Long Term Borrowing	(2,000)	(2,000)
13	Other Long Term Liabilities	(895,652)	(900,205)
		(899,099)	(903,603)
	Net Liabilities	(753,686)	(767,732)
16	Revenue Reserves	(16,278)	(17,233)
16	Capital Funding Reserve	(17,672)	(17,967)
16	Capital Grants Unapplied Account	(40)	(101)
16	Usable Capital Receipts Reserve	(1,683)	(1,680)
16	**Usable Reserves:**	(35,673)	(36,980)
18	Revaluation Reserve	(56,221)	(47,400)
18	Capital Adjustment Account	(39,469)	(38,893)
13,15&18	Pension Reserve	883,434	887,704
18	Collection Fund Adjustment Account	776	2,361
18	Accumulated Absences Adjustment Account	839	941
18	**Unusable Reserves:**	789,359	804,713
	Total Reserves	753,686	767,732

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 2022 and its income and expenditure for the year then ended.

K Mattinson CPFA
Treasurer to the Combined Fire Authority
29 November 2022

John Shedwick
Chair of Audit Committee
29 November 2022

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		2021/22		2020/21	
		£000	£000	£000	£000
	Net deficit on the provision of services		(9,962)		(15,643)
23	Adjustments to net deficit on the provision of services for non-cash movements		9,805		17,713
	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,319		1,318
	Net cash flows from Operating Activities		**1,162**		**3,388**
	<u>Investing activities</u>				
6&7	Purchase of property plant and equipment & other capital spend	(4,099)		(1,972)	
	(Increase)/Decrease in long term deposits	5,000		(5,000)	
	(Increase)/Decrease in short term deposits	(5,000)		-	
24	Receipts from investing activities	67		98	
	Net cash flows from investing activities		(4,032)		(6,874)
	<u>Financing activities</u>				
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(451)		(417)	
	Repayment of long term borrowing	-		-	
24	Payments for financing activities	(1,386)		(1,416)	
	Net cash flows from financing activities		(1,837)		(1,833)
	Net increase/(decrease) in cash and cash equivalents		**(4,707)**		**(5,319)**
10	Cash and cash equivalents at the beginning of the reporting period		22,603		27,922
10	**Cash and cash equivalents at the end of the reporting period**		**17,896**		**22,603**

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 (i.e. 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.

2021/22	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	38,712	-	38,712	(8,321)	30,391
Strategy and Planning	11,159	-	11,159	(230)	10,928
People and Development	1,608	-	1,608	311	1,920
Corporate Services	4,506	-	4,506	147	4,653
Firefighters Pensions	1,239	-	1,239	0	1,239
Overheads	1,678	-	1,678	(461)	1,217
Net cost of Services	58,902	-	58,902	(8,553)	50,349
Other income and expenditure	(59,234)	-	(59,234)	18,847	(40,387)
Surplus on provision of services	(332)	-	(332)	10,294	9,962
Opening General Fund balance			(6,464)		
Surplus on provision of services			(332)		
Transfer to Capital Funding Reserve			331		
NWFC recognise 25% surplus on provision of services			(73)		
Closing General Fund balance			(6,537)		

2020/21	As reported for resource management	Adjustment to arrive at the amount chargeable to the General Fund (Note 1a)	Net chargeable to the General Fund	Adjustments between the Funding and Accounting basis (Note 1a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Service Delivery	37,371	-	37,371	(4,726)	32,645
Strategy and Planning	13,241	-	13,241	(826)	12,415
People and Development	1,423	-	1,423	188	1,611
Corporate Services	4,658	-	4,658	163	4,821
Firefighters Pensions	1,285	-	1,285	-	1,285
Overheads	(371)	363	(8)	1,582	1,574
Net cost of Services	57,607	363	57,969	**(3,619)**	**54,350**
Other income and expenditure	(57,969)	-	(57,969)	19,262	(38,708)
Surplus on provision of services	(363)	363	-	**15,643**	**15,643**
Opening General Fund balance			(6,350)		
Surplus on provision of services			-		
NWFC recognise 25% surplus on provision of services			(113)		
Closing General Fund balance			(6,464)		

1a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves	Transfer to/(from) Capital Reserves	**Total to arrive at amount charged to the General Fund**	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (3)	**Total adjustment between funding and accounting basis**
2021/22	£000	£000	**£000**	£000	£000	£000	**£000**
Service Delivery	-	-	**-**	133	(8,884)	430	(8,321)
Strategy and Planning	-	-	**-**	(41)	(367)	177	(230)
People and Development	-	-	**-**	-	311	-	311
Corporate Services	-	-	**-**	-	277	(130)	147
Firefighters Pensions	-	-	**-**	-	-	-	**-**
Overheads	-	-	**-**	2,144	145	(2,750)	(461)
Net cost of Services	-	-	**-**	2,236	(8,518)	(2,272)	(8,553)
Other income and expenditure	-	-	-	-	17,648	1,199	18,847
Total	-	-	**-**	2,236	9,130	(1,073)	10,294

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves	Transfer to/(from) Capital Reserves	**Total to arrive at amount charged to the General Fund**	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (3)	**Total adjustment between funding and accounting basis**
2020/21	£000	£000	**£000**	£000	£000	£000	**£000**
Service Delivery	-	-	**-**	448	(4,802)	(372)	**(4,726)**
Strategy and Planning	-	-	**-**	(38)	(404)	(383)	**(826)**
People and Development	-	-	**-**	-	215	(27)	**188**
Corporate Services	-	-	**-**	-	252	(89)	**163**
Firefighters Pensions	-	-	**-**	-	-	-	**-**
Overheads	15	348	**363**	2,188	115	(722)	**1,582**
Net cost of Services	15	348	**363**	**2,598**	**(4,623)**	**(1,594)**	**(3,619)**
Other income and expenditure	-	**-**	**-**	-	18,207	1,055	**19,262**
Total	15	348	**363**	**2,598**	**13,584**	**(539)**	**15,643**

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 2021/22 Fire Authority costs amounted to £0.317m (2020/21: £0.268m), analysed as follows:

	2021/22	2020/21
	£000	£000
Members allowances/expenses	136	128
Statutory officers	111	106
Others	70	34
	317	268

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,158 employees, who have received pay and benefits of more than £50,000 are:

	2021/22	2020/21
	No.	No.
£75,000 - £79,999	1	3
£70,000 - £74,999	3	1
£65,000 - £69,999	6	5
£60,000 - £64,999	7	1
£55,000 - £59,999	41	29
£50,000 - £54,999	59	32
	117	71

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) **2021/22**	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Justin Johnston	152,425	-	152,425	43,898	196,324
Director of Service Delivery – Steve Healey (1 April to 31 December)	104,554	-	104,554	22,584	127,138
Director of Strategy & Planning – Steve Healey (1 January 22 to date)	34,851	-	34,851	7,528	42,379
Director of Strategy & Planning – Ben Norman (1 April to 31 December)	89,671	-	89,671	25,825	115,496
Director of Service Delivery – Jon Charters (1 January 22 to date)	29,040	-	29,040	8,364	37,404
Director of People & Development – Robert Warren	108,277	-	108,277	18,515	126,792
Director of Corporate Services – Keith Mattinson	90,244	-	90,244	15,432	105,675
	609,062	-	609,062	142,146	751,208

Post holder information (post title and name) **2020/21**	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Justin Johnston	148,480	1,704	150,184	42,762	192,946
Director of Service Delivery – David Russel (1 April 20 – 6 September 20)	59,559	533	60,092	17,153	77,246
Director of Service Delivery – Steve Healey (1 January 21 to date)	34,333	-	34,333	9,888	44,221
Director of Strategy & Planning – Ben Norman	120,617	1,405	122,022	33,346	155,368
Director of People & Development – Robert Warren	106,547	-	106,547	18,220	124,767
Director of Corporate Services – Keith Mattinson	106,547	-	106,547	18,220	124,767
	576,083	3,642	579,725	139,589	719,314

Exit Packages

There were no exit packages in 2021/22 or 2020/21.

4 External Auditors Fees

In 2021/22, the Fire Authority paid a total of £0.044m to its external auditors, Grant Thornton (2020/21: £0.039m), as follows:

	2021/22	2020/21
	£000	£000
Audit fees – Grant Thornton	44	39

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 2021/22 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, however material transactions of £1.089m spend with Lancashire County Council requires disclosure in this note. The majority of this sum relates to maintenance of the Authority's vehicle fleet, in addition to services provided under Service Level Agreements.

Officers

In 2021/22 one Senior Officer declared a family relationship with a Senior Officer who worked across three of our major billing authorities (in 2020/21 the same officer declared the same family relationship, covering just one of our billing authorities). Although there are significant transactions between the parties in relation to business rates (£0.669m received from the billing authorities, 2020/21: £0.421m from the one relevant authority), and council tax (£7.852m received from the billing authorities, 2020/21: £2.552m from the one relevant authority), 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 2021/22 are:

Movement during the year	**Other Land & Buildings** £000	**PFI Assets – land & buildings** £000	**Vehicles, Plant & Equipment** £000	**Total Property, Plant & Equipment** £000
Cost or valuation				
At 1 April 2021	60,814	29,200	24,150	114,164
Additions	2,865	0	487	3,352
Disposals	-	-	(405)	(405)
Impairment losses recognised in the Revaluation Reserve	(1,004)	(726)	-	(1,730)
Impairment losses recognised in the Deficit on the Provision of Services		-	(72)	(72)
Revaluations	6,439	2,701	-	9,140
As at 31 March 2022	69,114	31,175	24,160	124,449
Depreciation and impairments				
At 1 April 2021	(30)	-	(14,596)	(14,626)
Depreciation charge for 2021/22	(2,416)	(753)	(1,622)	(4,791)
Disposals	-	-	405	405
Revaluations	2,446	753	-	3,200
As at 31 March 2022	-	-	(15,812)	(15,812)
Balance sheet at 31 March 2022	69,114	31,175	8,348	108,637
Balance sheet at 31 March 2021	60,783	29,200	9,555	99,538
Nature of asset holding				
Owned	68,844	-	8,305	77,149
Finance lease	270	-	43	313
PFI	-	31,175	-	31,175
	69,114	31,175	8,348	108,637
Carried at historical cost	-	-	8,348	8,348
Valued at current value as at:				
31 March 2022	69,114	31,175	-	100,289
31 March 2010	-	-	-	-
Total cost or valuation	69,114	31,175	8,348	108,637

On 31 March 2022 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 £12.340m (2020/21: net gain of £4.122m).

The comparative figures detailing the movement during 2020/21:

Movement during the year	**Other Land & Buildings**	**PFI Assets – land & buildings**	**Vehicles, Plant & Equipment**	**Total Property, Plant & Equipment**
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2020	58,991	29,640	23,951	112,582
Additions	2,028	-	626	2,654
Disposals	-	-	(412)	(412)
Impairment losses recognised in the Revaluation Reserve	(1,168)	(431)	-	(1,599)
Impairment losses recognised in the Deficit on the Provision of Services	(767)	-	(15)	(782)
Revaluations	1,730	(9)	-	1,721
As at 31 March 2021	60,814	29,200	24,150	114,164
Depreciation and impairments				
At 1 April 2020	-	-	(13,268)	(13,268)
Depreciation charge for 2020/21	(1,666)	(766)	(1,739)	(4,171)
Disposals	-	-	412	412
Revaluations	1,635	766	-	2,401
As at 31 March 2021	(31)	-	(14,595)	(14,626)
Balance sheet at 31 March 2021	60,783	29,200	9,555	99,538
Balance sheet at 31 March 2020	58,991	29,640	10,683	99,314
Nature of asset holding				
Owned	60,513	-	9,439	69,952
Finance lease	270	-	116	386
PFI	-	29,200	-	29,200
	60,783	29,200	9,555	99,538

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 2021/22 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.

	2021/22	2020/21
	£000	£000
Opening Capital Financing Requirement	13,225	13,647
Capital investment:		
Property, Plant & Equipment*	3,352	2,654
Intangible assets*	31	2
Sources of Finance:		
Capital Reserves	(977)	(163)
Revenue contributions to capital*	(2,404)	(2,493)
MRP	(457)	(422)
Closing Capital Financing Requirement	12,770	13,225
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(457)	(422)
Assets acquired under finance lease	2	-
	(455)	(422)

* Includes NWFC balances

Details of Assets Held

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

	2021/22	2020/21
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 2022 is £3.747m (2020/21: £2.632m).

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	2021/22 £000	2020/21 £000
Cost or valuation		
At 1 April	2,380	2,378
Additions	42	2
Derecognised	-	-
As at 31 March	2,422	2,380
Amortisation & impairment		
At 1 April	(1,741)	(1,519)
Amortisation charge for the year	(158)	(221)
Derecognised	-	-
As at 31 March	(1,899)	(1,741)
Balance sheet at 31 March 2022	523	639
Balance sheet at 31 March 2021	639	859

8 Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. No-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments.

Financial assets – balances

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Authority. The financial assets held by the Authority during the year are all accounted for under the amortised cost, comprising:

- Investments, which are loans to other local authorities
- Cash in hand and bank current and deposit accounts
- Trade receivables for goods and services provided

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long-Term		Current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Investments	5,000	10,000	10,000	5,000
Cash & cash equivalents	-	-	17,896	22,603
Other trade receivables	-	-	1,570	3,415

Financial liabilities – balances

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

All of the Authority's financial liabilities held during the year are measured at amortised cost, and comprise:

- Long term loans from the Public Work Loans Board
- Private Finance Initiative (PFI) contracts, detailed in Note 14
- Lease payables
- Trade payables for goods and services received

	Long-Term		Current	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Borrowings	2,022	2,022	-	-
PFI and finance lease arrangements	12,434	12,925	492	452
Trade payables	-	-	3,568	6,728

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Liabilities at amortised cost	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Interest payable relating to PFI	1,312	1,342	-	-
Interest payable relating to Borrowing	90	90	-	-
Interest payable relating to finance leases	6	7	-	-
Total expense in Deficit on the Provision of Services	1,408	1,439	-	-
Financial Assets at amortised cost				
Interest income	-	-	(206)	(253)
Total income in Deficit on the Provision of Services	-	-	(206)	(253)
Net gain/(loss) for the year	1,408	1,439	(206)	(253)

Fair Values of Financial Instruments

In accordance with IFRS 9, financial liabilities, financial assets represented by investments 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 2022 of 4.48% to 4.49% for loans from the PWLB

- The fair values of PWLB loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity
- 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 2022		31 March 2021	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	£000	£000	£000	£000
Loans from the Public Works Loan Board	2,000	2,403	2,000	2,697
PFI Liabilities	12,795	15,941	13,202	17,324

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2022 is £2.000 million (2020/21: £2.000m) and it is due for repayment as shown in the following table:

	2021/22	2020/21
	£000	£000
Over 10 years	2,000	2,000
	2,000	2,000

9 Debtors

	2021/22	2020/21
	£000	£000
Trade debtors	2,680	3,415
VAT	246	241
Local taxation debtors	3,951	3,518
Other debtors	6,011	3,710
	12,888	10,885

10 Cash & Cash Equivalents

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

	2021/22	2020/21
	£000	£000
Cash held by the Authority	54	54
Cash held by North West FireControl (25% share)	117	148
Call account balance	17,725	22,401
	17,896	22,603

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 2022 equal to their nominal value.

11 Creditors

	2021/22	2020/21
	£000	£000
Goods and services creditors	2,734	2,905
PAYE/NI	964	876
Local taxation creditors	3,873	4,981
Other creditors	1,726	3,859
	9,296	12,621

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 had previously established a provision to meet the potential costs associated with On Call 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 was subject to negotiation at a national level. The remainder of this provision was reversed during 2020/21 as there had been no activity during the preceding 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	500	522	-	22	898	1,036	1,398	1,580
Amounts utilised	(97)	(33)	-	-	-	-	(97)	(33)
Unused amounts reversed	(37)	(100)	-	(22)	(85)	(237)	(122)	(359)
Additional provision	227	111	-	-	41	99	268	210
Balance at 31 March	593	500	-	-	854	898	1,447	1,398

13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2021/22 £000	2020/21 £000
Finance Lease Liability	33	75
PFI Liability (see Note 14)	12,351	12,795
PFI Contractor Loan (see Note 14)	50	55
Pension Liability (see Note 15)	883,218	887,280
	895,652	900,205

14 PFI Schemes

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

PFF Lancashire Limited

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

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

Under the contract PFF Lancashire Limited made a contribution of £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority's accounts. At 31 March 2022 the total outstanding loan was £0.055m (2020/21: £0.060m).

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.

Balfour Beatty sold its' interest in the PFI scheme in July 2021 to BBGI, a company who already operates several PFI schemes in the UK including within the emergency services sector. BBGI undertook a refinancing deal in December 2021, resulting in a one-off saving of £0.9m for the three authorities, of which Lancashire's share was £0.2m.

Under the contract the Authority pays an annual unitary charge to 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 2022 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	Government Subsidy
	£000	£000	£000	£000	£000
Payable in 1 year	774	444	1,284	2,502	1,734
Payable within 2-5 years	3,317	2,207	4,778	10,302	6,935
Payable within 6-10 years	4,692	4,285	4,491	13,468	8,668
Payable within 11-15 years	3,691	4,531	2,419	10,642	6,719
Payable within 16-20 years	987	1,328	247	2,562	1,617
Total	13,461	12,795	13,220	39,475	25,672

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:

	2021/22	2020/21
	£000	£000
Balance outstanding at the start of the year	13,202	13,575
Payments during the year	(407)	(373)
Balance outstanding at year end	12,795	13,202

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	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	2,553	1,895	15,840	16,160
• Administrative expenses	34	33	-	-
• Past service cost	-	-	-	-
	2,587	1,928	15,840	16,160
Financing and Investment Income and Expenditure:				
• Interest cost	1,742	1,647	17,330	18,050
• Interest on scheme assets	(1,425)	(1,490)	-	-
	317	157	17,330	18,050
Total post employment benefit charged to the deficit on provision of services	2,904	2,085	33,170	34,210
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	2,023	1,490	3,020	55,040
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	4,927	3,575	36,190	89,250
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(4,583)	(3,234)	(9,590)	(66,880)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(344)	(341)	-	-
Net retirement benefits payable to pensioners	-	-	(26,600)	(22,370)
	-	-	-	-

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 £16.045m (2020/21: £13.813m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 62.

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

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Opening balance at 1 April	(83,632)	(69,102)	(872,386)	(805,506)
Current service cost	(2,553)	(1,895)	(15,750)	(16,090)
Interest on liabilities	(1,742)	(1,647)	(17,330)	(18,050)
Contributions by scheme participants	(412)	(399)	(3,330)	(3,350)
Remeasurements (liabilities):				
Experience (gain)/loss	(208)	1,355	(7,270)	25,410
Gain/(Loss) on financial assumptions	1,901	(13,139)	10,290	(80,450)
Gain/(Loss) on demographic assumptions	644	(80)	-	-
Benefits/transfers paid	1,801	1,275	29,840	25,650
Past service cost	-	-	-	-
Closing balance at 31 March	(84,201)	(83,632)	(875,936)	(872,386)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Opening balance at 1 April	68,314	61,932	-	-
Interest on scheme assets	1,425	1,490	-	-
Remeasurements (assets)	8,043	5,460	-	-
Administrative expenses	(34)	(33)	-	-
Employer contributions	344	341	26,510	22,300
Contributions by scheme participants	412	399	3,330	3,350
Benefits paid	(1,801)	(1,275)	(29,840)	(25,650)
Closing balance at 31 March	76,703	68,314	-	-

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 £9.240m (2020/21: gain of £6.490m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2022 is a loss of £266m (2020/21: cumulative loss of £280m).

Scheme history

	2021/22	2020/21	2019/20	2018/19	2017/18
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(84,201)	(83,631)	(69,102)	(69,436)	(62,839)
Firefighters Pension Scheme	(875,936)	(872,386)	(805,506)	(857,236)	(793,336)
Fair value of assets in LGPS	76,703	68,314	61,932	61,783	55,910
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(7,498)	(15,318)	(7,170)	(7,653)	(6,929)
Firefighters Pension Scheme	(875,936)	(872,386)	(805,506)	(857,236)	(793,336)
Total	(883,434)	(887,704)	(812,676)	(864,889)	(800,265)

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, £883.434m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £753.686m (2020/21: £767.732m). 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 £7.5m deficit, the latest actuarial valuation was actually a surplus of £9.7m as at 31 March 2019 (calculated on a different basis to the year end valuation), which is being recovered by annual net receipts of £0.8m from the pension fund.

- In April 2020 the Authority prepaid employers' contributions relating to 2020/21 to 2022/23, a total of £623,500 when netted off against the surplus recovery for the same period, in order to save approximately £36k on the contributions over the same period.
- 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	1,147	7,806	8,953

*LGPS contributions shown are gross of both the surplus recovery and prepayment referred above.
** Firefighters contributions are partly funded by £3.1m government grant

Pensions assets and liabilities recognised in the Balance Sheet

Of the lump sum early payment of £0.6m made by the Authority in April 2020, a total of £0.4m (£0.4m employers contributions less an £24k proportion of the three year savings) has been reflected in the accounts for 2020/21 and 2021/22, with the balance of £0.2m being offset against the LGPS pension scheme liability in the Balance Sheet. The Authority's LGPS pension scheme liability of £6.2m has been reduced by the £0.2m advance contribution payment.

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 2020, 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 2019, 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	
Mortality assumptions:	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Longevity at 65 for current pensioners:						
Men	21.2	21.4	22.3	22.4	21.5	21.4
Women	23.8	24.0	25.0	25.1	21.5	21.4

Longevity at 65 for future pensioners:						
Men	21.2	22.4	23.7	23.9	23.2	23.1
Women	25.5	25.7	26.8	26.9	23.2	23.1
Rate of CPI inflation	3.15%	2.80%	3.30%	2.70%	3.00%	2.40%
Rate of increase in salaries	3.85%	3.50%	4.80%	4.20%	4.75%	4.15%
Rate of increase in pensions	3.15%	2.80%	3.40%	2.80%	3.00%	2.40%
Rate for discounting scheme liabilities	2.75%	2.05%	2.80%	2.10%	2.65%	2.00%
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 2022		Assets at 31 March 2021	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	1,571	2.1	1,484	2.2
Bonds	Y	1,861	2.4	1,291	1.9
Property	N	1,491	1.9	1,439	2.1
Cash/Liquidity	N	1,971	2.6	1,564	2.3
Other	N	69,448	91.0	62,536	91.5
		76,342	100.0	68,314	100.0

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2020/21 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2021:

Local Government Pensions Scheme (LGPS) inc NWFC:	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Experience Gains and losses on assets	(10.5)	(8.0)	1.2	8.0	1.0
Gains and losses on liabilities	(2.8)	14.2	(4.6)	(5.5)	4.2

Firefighters Pension Scheme:	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(0.3)	6.3	(8.2)	2.5	(0.9)

Total of LGPS and Fire Pension Schemes:	2021/22	2020/21	2019/20	2018/19	2017/18
	%	%	%	%	%
Experience Gains and losses on assets	(10.5)	(8.0)	1.2	8.0	1.0
Gains and losses on liabilities	(0.6)	7.0	(8.0)	1.9	(0.6)

16 Usable Reserves

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

	2021/22		2020/21	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(6,536)		(6,463)
Earmarked Reserves	(4,675)		(6,175)	
PFI Equalisation Reserve	(5,067)		(4,593)	
Total Earmarked Reserves		(9,742)		(10,769)
Total Revenue Reserves		(16,278)		(17,233)
Capital Reserves:				
Capital Funding Reserve		(17,672)		(17,967)
Capital Grants Unapplied		(40)		(101)
Usable Capital Receipts		(1,683)		(1,680)
Total Usable Reserves		(35,673)		(36,980)

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.20 £000	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31.3.21 £000	Transfers in 2021/22 £000	Transfers out 2021/22 £000	Balance at 31.3.22 £000
General fund	(6,350)	(113)	-	(6,463)	(404)	331	(6,536)
Earmarked Reserves	(3,344)	(3,413)	582	(6,175)	(2,035)	3,535	(4,675)
PFI Equalisation Reserves	(4,483)	(111)	-	(4,594)	(632)	159	(5,067)
Total Earmarked Reserves	(7,827)	(3,524)	582	(10,769)	(2,667)	3,694	(9,742)
Capital funding reserve	(17,582)	(547)	163	(17,967)	(3,055)	3,350	(17,672)
Capital grants unapplied	(438)	(253)	590	(101)	-	61	(40)
Usable capital receipts	(1,663)	(17)	-	(1,680)	(3)	-	(1,683)
Total Usable Reserves	(33,861)	(4,454)	1,335	(36,980)	(6,129)	7,436	(35,673)

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:

	2021/22 £000	2020/21 £000
Revaluation Reserve	(56,221)	(47,400)
Capital Adjustment Account	(39,469)	(38,893)
Pensions Reserve	883,434	887,704
Collection Fund Adjustment Account	776	2,361
Accumulated Absences Adjustment Account	839	941
Total Unusable Reserves	789,359	804,713

Revaluation Reserve

	2021/22 £000	2020/21 £000
Balance at 1 April	(47,400)	(46,544)
Upward revaluation of assets	(12,342)	(4,122)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	1,730	1,599
Difference between fair value depreciation and historical cost depreciation	1,791	1,667
Amount written off to the Capital Adjustment Account	-	-
	(56,221)	(47,400)

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

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

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

Capital Adjustment Account

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

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

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1 April		(38,893)		(39,325)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	3,002		2,504	
• Revaluation losses on Property, Plant & Equipment	72		782	
• Amortisation of intangible assets	158		221	
		3,232		3,507
Disposal of assets via the Comprehensive Income & Expenditure Statement		-		-
Adjusting amounts written out of the Revaluation Reserve		-		-
Net amount written out of the cost of non-current assets consumed in the year		3,232		3,507
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	-		-	
• Statutory provision for financing of capital investment charged against General Fund	(448)		(412)	
• Voluntary provision for financing of capital investment charged against General Fund	(10)		(10)	
• Use of capital reserves to fund expenditure	(977)		(163)	
• Capital expenditure charged to General Fund Balance	(2,373)		(2,491)	
		(3,808)		(3,075)
Balance as at 31 March		(39,469)		(38,893)

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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	887,704	812,676
Actuarial (gains) or losses on pensions assets and liabilities	(13,400)	61,444
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	36,074	36,295
Net payments to pensioners payable in the year	(26,600)	(22,370)
Employers pension contributions	(344)	(341)
	883,434	887,704

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Balance at 1 April	372	(386)	1,989	(203)	2,361	(589)
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	(511)	758	-	-	(511)	758
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	-	-	(1,074)	2,192	(1,074)	2,192
Balance at 31 March	(139)	372	915	1,989	776	2,361

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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	941	811
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(102)	130
Balance at 31 March	839	941

19 Contingent Liability

Norman v Cheshire Fire & Rescue Service/Pensionability of allowances
Following on from the "Norman vs Cheshire" case a review of allowances paid to staff was carried out to determine if they should be pensionable. We have determined which allowances are pensionable and have implemented these arrangements with effect from 1 June 2020.

The Authority has been unsuccessful in resolving the backdating aspect via a collective agreement, it has therefore utilized the normal Court provisions and backdated the provision for six years with effect from an implementation date of 1/6/21. No court proceedings have been issued against the Authority. The Pensions and contributions have been enacted back to this effective date where necessary. It is feasible that the Pension Ombudsman might uphold a complaint from an individual in respect of an earlier implementation date, and hence there remains a degree of uncertainty about future costs.

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 2019 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 reflected this in the IAS19 disclosure (Note 15) as a Past Service Cost in 2018/19. 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.

Although an immediate remedy solution has been proposed by LGA and the FBU, the Treasury and Home Office have both expressed reservations about the process and have stated they will not reimburse any costs incurred other than the direct pension payments if Authorities proceed with this immediate detriment remedy. In view of the potential risk to the Authority and staff affected the Service has not progressed this remedy and is awaiting further clarification and /or a revised immediate detriment solution before progressing.

This is a country wide issue and the FBU are threatening to escalate the legal process and issue fresh proceedings. The original ET process is still ongoing and any determination in respect of the test cases will be applicable within Lancashire.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment, once fully known, 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) was made in 2018/19 for the McCloud judgement. The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement, once fully known, will be measured through the pension valuation process, which determines employer and employee contribution rates.

Part Time Workers (prevention of less favourable treatment) Regulations 2000
The previous national tribunal in relation to On Call Duty System staff claims under the Part Time Workers (prevention of less favourable treatment) Regulations 2000, was settled some years ago, and the final remaining balance held in provisions in respect of this was reversed during the year. During the year a successful claim has been made by a Judge to backdate the liability beyond the date of the introduction of the Part time workers regulations. The Government have indicated acceptance a similar provision would be enacted in respect of the relevant Firefighters Pension Schemes. Discussions are being held between the unions involved, LGA and central government in respect of impact on Call employees. A proposed remedy has been agreed and the mechanics of a solution is being determined but currently no definitive scope or methodology has been determined so it is not possible to quantify the extent of the impact especially bearing in mind the previous settlement covered the period back to 1/4/2000.

20 Post Balance Sheet Events

As at the date of signing of the accounts, 29 November 2022, 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 £0.091m of the £0.104m balance is past due date for payment. On a prudent basis the Authority has created a provision for expected credit losses to cover any potential loss arising from this, which currently stands at £0.015m and which is considered sufficient for this purpose.

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

	2021/22 £000	2020/21 £000
0 to 30 days	13	3
31 to 60 days	62	11
61 to 90 days	8	6
91 to 180 days	6	9
Over 180 days	15	12
	104	41

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.

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 2022	
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 £25.8 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 £258,000 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 2021/22 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. See note 28 Critical judgements.

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

Key Information	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Total assets less Current Liabilities	321	317
Net liabilities*	(4,864)	(6,722)
(Loss) Before Taxation	(803)	(262)
(Loss) After Taxation	(803)	(262)
Debtor Balance (LFRS)	-	-
Creditor Balance (LFRS)	-	-

Invoices raised by NW FireControl to LFRS	1,298	1,222
Invoices raised by LFRS to NW FireControl	-	-

*Net liabilities includes the future pension liabilities under IAS19 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 31/12/2022 for the final audited 2021/22 accounts.

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

	2021/22	2020/21
	£000	£000
Depreciation	4,791	4,171
Impairment & downwards valuations	72	782
Amortisation	158	221
Increase/(decrease) in provisions	48	(182)
Increase/(decrease) in creditors	(2,670)	1,686
(Increase)/decrease in debtors	(2,003)	(2,084)
(Increase)/decrease in stock	21	(42)
(Increase)/decrease in LGPS pension liability	208	(424)
Movement in pension liability	9,130	13,584
	9,805	17,713

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

	2021/22	2020/21
	£000	£000
Interest received	(67)	(98)
Interest paid	1,386	1,416

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	Short Term borrowings	Lease liabilities	Total
	£000	£000	£000	£000
1 April 2021	14,795	407	115	15,317
Cash flows:				
Repayment	(445)	37	(40)	(448)
Proceeds	-	-		-
Non-cash:				
Acquisition	-	-	1	1
31 March 2022	14,350	444	76	14,870

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 2022 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 Carrying value £108.9m (2020/21: £99.5m)	As at the valuation date, the RICS valuer notes continued market uncertainties in the wake of Brexit and Covid-19, and although materials costs remain high. The increased replacement cost and the completion of the refurbishment of the training facilities has added another £14m to the asset value before depreciation.	The majority of the Authorities Property assets are valued under the Depreciated Replacement Cost (DRC) method, as specialised assets. There is the possibility that DRC valuations will increase due to shortages of raw materials and labour. It is estimated that a 1% increase in DRC valuations would increase the assets values by £1.0m.
Fair Value Measurements – PFI schemes Liability carrying value £12.8m (2020/21: £13.2m) Fair value £15.9m (2020/21: £17.3m)	The liability initial carrying value is calculated from the present value of the future payments due and grant received for the life of the PFI scheme. This carrying value is then updated each year to reflect any inflationary increases and any repayments made. The fair value is calculated using the forecast payments and grant income for the remaining life of the scheme and applying a discount rate (we use the current AA rated bond yield rate forecast) to arrive at the fair value. The Fair Value is the estimated price at which the Authority would transfer the liability to another body. The bond yield rate forecasts have increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, is a product of both the underlying reduction in the liability as a result of repayments made during the year, and the increase in the future interest rates.	The Authority uses the Discounted Cash Flow (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 £1.2m.
Pension Liability Carrying value £883.4m	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,	The effects on the net pension liability of changes in individual assumptions can be measured as follows:

(2020/21: £812.7m)	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.	A 0.1% increase in these assumptions has the following effect on the net pension liability: • Discount rate – decrease of £16.9m • Inflation rate – increase of £14.9m • Pay growth – increase of £2.2m A 1 year increase in life expectancy will increase the net pension liability by £33.5m.

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

27 Expenditure and Income Analysed by Nature

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

	2021/22 £000	2020/21 £000
Expenditure		
Employee benefits expenses	40,247	43,274
Other services expenses	13,811	13,814
Support service recharges	-	-
Depreciation, amortisation and impairment	5,020	5,174
Interest payments	19,056	19,645
Gain on disposal of fixed assets	(3)	(17)
Total expenditure	78,131	81,891
Income		
Fees, charges and other service income	(2,271)	(1,389)
Interest and investment income	(206)	(253)
Income from council tax, business rates and revenue support grant	(56,515)	(53,143)
Government grants and contributions	(9,177)	(11,463)
Total Income	(68,168)	(66,248)
Surplus on the provision of services	9,962	15,643

28 Critical Judgements

Joint Operation – North West Fire Control
An assessment for Group Accounting requirements has taken place during 2021/22 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.

29 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus)(Amendment) Regulations 2021, 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 – 2021/22, 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% of the previous years' Capital Financing Requirement balance. 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.

<u>The Firefighters' Scheme</u>

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 2021/22, 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 2021/22, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2021/22, 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.

Investments 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 2022, 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 Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. Receipts from disposals are credited to capital receipts, with the sale proceeds being recognised in the CIES. This treatment results 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 £1.0m 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 – i.e. when the economic benefits inherent in the asset have been used up.

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 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 Fire and Rescue NW Limited. The contract relates to the provision and maintenance of Blackburn, Burnley, Chorley, and Fleetwood fire stations.

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

l Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.

Details of the Authority’s provisions are given in Note 12 to the Balance Sheet, and currently comprise insurance liabilities and business rates appeals.

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. In addition, the potential impacts of both Brexit and the Fair Funding review uncertainties were included in the assessment of reserves levels carried out for the 2022/23 budget setting exercise concluded in February 2022, but are not considered to have changed significantly at this time. Our current Medium Term Financial Strategy (MTFS) shows a healthy reserves position, and a balanced budget in the short and medium term. We await the outcome of the multi-year settlement to clarify our estimates within our MTFS.

p Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

q Accounting Standards issued but not yet adopted

The Authority is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2021/22 Code will introduce the following amendments:

Amendments to International Financial Reporting Standard (IFRS) 3 - Business combinations: definition of a business
The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

Interest rate benchmark reform - Amendments to IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform
Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
The International Accounting Standards Board published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks.

These amendments are not anticipated to impact on the Authority's accounts.

Following the consultation with CIPFA on changing the code of practice on Local Authority Accounting on the adoption of IFRS16 and the agreed postponement of the standard. The authority is going by the Financial Reporting Advisory Board advise to CIPFA to postpone the compulsory adoption of the code to the earliest date of 1st of April 2023.
The amendment to IFRS1 relating to foreign operations of acquired subsidiary will have no impact on the Authority's activities.

The IAS 37 clarification on onerous contract will not impact on the Authority, neither will the IAS41 on Agriculture.

r Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority has one joint operation, North West FireControl Ltd (see note 22 for details), and recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities held jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

FIRE FIGHTERS PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

Fund Account	2021/22 Total £000	2020/21 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(8,815)	(7,370)
- other contributions	(278)	(348)
- Members contributions	(4,330)	(3,262)
Transfers in:		
- Individual transfers from other schemes	(210)	(111)
Total Income to the Fund	**(13,633)**	**(11,091)**
Spending by the fund		
Benefits payable:		
- Pension payments	22,394	21,093
- Commutations of pensions and lump-sum retirement benefits	7,284	3,793
Transfers out:		
- Individual transfers out to other schemes	-	18
- Refunds of contributions	-	-
Total Spending by the fund	**29,678**	**24,904**
Net amount receivable for the year before top up grant receivable from central government	**16,045**	**13,813**
Top up grant receivable from central government	(16,045)	(13,813)
Net amount receivable for the year	**-**	**-**

Net Assets Statement	2021/22 £000	2020/21 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(5,086)	(3,591)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	5,086	3,591
Net current assets at the end of the year	**-**	**-**

Firefighters Pension Fund Notes

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

The above statement shows the financial position of the total fire fighters pension fund account, showing that as at 31 March 2022 the Authority is owed £5.086m (2020/21: £3.591m) 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.

<u>Contribution Rates</u>
Under the firefighters pension regulations the contribution rates during 2021/22 were as follows:

- for the 1992 scheme were circa 52.1% on average of pensionable pay (37.3% for employers and between 14.7% and 15.2% for employees dependent on salary)
- for the 2006 scheme were circa 38.3% on average of pensionable pay (27.4% for employers and between 10.9% and 11.2% for employees dependent on salary)
- for special members of the 2006 scheme were circa 52.0% of pensionable pay (37.3% for employers and between 14.7% and 14.7% for employees dependent on salary)
- for the 2015 scheme were circa 41.1% on average of pensionable pay (28.8% for employers and between 11.0% 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. One ill health retirements was recognised during 2021/22, and three in 2020/21.

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

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

<u>Future Liabilities</u>
The firefighters pension fund financial statements do not take account of liabilities to pay pensions and other benefits after the period end, however details of the firefighters pension fund long term pension obligations are recognised in the Authorities financial statements, details can be found in Note 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 February prior to the commencement of the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Lancashire Combined Fire Authority
Audit Committee

Meeting to be held on 29 November 2022

Risk Management
(Appendix 1 refers)

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

Executive Summary

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

Decision Required

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

Information

The latest review of the corporate risk register has identified one new risk which warrants consideration for inclusion on the corporate risk register: -

The Cyber Security

The Cyber Security threat landscape has changed significantly, which has been witnessed globally, regionally and across multiple emergency services and local authorities.

Best practice standards set by the National Cyber Security Centre (NCSC) have adapted according to the change in the threat landscape, which means it's far more challenging to remain compliant.

Government organisations are routinely and relentlessly targeted: of the 777 incidents managed by the National Cyber Security Centre between September 2020 and August 2021, around 40% were aimed at the public sector. This upward trend shows no signs of abating.

We have achieved the Cyber Essentials Plus certification, which must be refreshed every 12 months. The next re certification involves the prompt replacement of aging hardware/software as well as bringing in scope remote working, Wi-Fi security as well as several other areas which have previously been out of scope. The e-mail systems have been fully refreshed and we are going to be migrating all mailboxes to 365 for even better security and feature enhancements.

A Cyber Security Strategy and subsequent options papers has been agreed, identifying areas requiring investment, such as next generation Firewalls. We have been aligning with the National Cyber Security Centre best practice security framework and will continue to do so as that develops.

This is classed as high-risk due to the scale of attack and the potential impact of such attacks.

Existing Risks

Of the existing risks 13 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below: -

		Update since last meeting	Proposed Risk Score	
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as Retained Duty System (RDS) pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	No change, not due to report until 31/3/23	12	Medium
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	No change, not due to report until 31/3/23	9	Medium
3	Insufficient staffing resources, due to Industrial Action, to	Continue to monitor the position regarding national pay award. Continue to hold IMT meetings	Increase to 20	High

	deal with operational demand and fulfil statutory responsibilities.	to review situation and on-going plans to minimise the risk. Identify number and location of potential appliances. Develop internal and external communication plans.		
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	Previously discharged		
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Previously discharged		
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in fire fighter injuries or fatalities.	Monitor effectiveness of Operational Assurance Performance Report in disseminating information. Additionally, Operational Assurance Officers are mobilised to provide additional assurance at incidents that meet specific criteria, broadly when the risk to fire fighters is increased. For example, this includes operational discretion and critical incidents. Training and Operational Review (TOR) continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training, monthly performance reports are sent to HoSD. TOR trainers are skill graded to ensure they operate consistently in terms of identifying training needs.	Remains at 9	Medium
7	Failure of key ICT systems resulting in disruption to services.	Resilience, backup and recovery measures all constantly evolving to respond to changing threat and vulnerability profiles. Asset replacement policy in place, regularly reviewed. Upgraded firewalls in place to provide perimeter defence, with enhanced email gateway, anti-	Remains at 9	Medium

		virus, device control (USB) and removeable hard disk drive encryption measures also rolled out. Windows 10 & Office 365 now rolled out. Patch and update policy in operation to ensure servers and workstations are up to date with latest security developments. Aggressive vulnerability scanning and remediation procedures now in place, regular security reviews and threat intelligence awareness with partner agencies and NCSC feeds. Modern Wide Area Network (WAN) to all administrative and operations sites now in play. Storage Area Network (SAN) data, infrastructure and all essential servers replicated to the disaster recovery site at Service Training Centre (STC). Resilient link from STC to County Hall in order to maintain LCC/One Connect Limited (OCL) supplied services in the event of a failure at Service Head Quarters (SHQ) or the link to County, improved resilience in mobilising infrastructure at North West Fire Control (NWFC).		
8	Loss of corporate reputation through negative publicity.	No change, not due to report until 31/3/23	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	No change, not due to report until 31/3/23	9	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	Previously discharged		Medium

11	Lack of compliance with legislation resulting in prosecution or compliance order.	Previously discharged		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	No change, not due to report until 31/3/23	9	Medium
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	No change, not due to report until 31/3/23	9	Medium
14	Delayed mobilisation, impacting on service delivery.	Dynamic Coverage Software (DCS) procurement agreed and will be brought into Service over the next 4-6 months, at first as a stand alone in LFRS and then to plug into NWFC. This will enable appliances to be redeployed based on risk and other incident activity ensuring we have the right fire cover in place at the right time.	Remains at 9	Medium
15	High levels of staff absence due to outbreak of ebola.	Previously discharged		
16	Lack of clarity on future of FRS, leading to inertia.	Previously discharged		
17	Failure of Emergency Service Mobile Communication Programme (ESMCP) to deliver a viable communication facility.	Technical lead colleagues in LFRS and NWFC continue to work closely with the National Fire Chief's Council (NFCC) team to ensure that our NWFC mobilising system and internal supporting aspects such as station end equipment and vehicle mounted data terminals remain fit for purpose through and beyond ESMCP transition.	Remains at 9	Medium

		Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and integration with existing systems such as MDT. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding and key staff members such as Head of ICT are aligned to relevant work packages. Work to evaluate transition planning remains ongoing and includes aspects such as dual device (Airwave and ESMCP) fitting within fire engines, device convergence opportunities, coverage testing and early trials and pilot of the voice product.		
18	Inability to maintain service provision in spate conditions.	Previously discharged		
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new developments that are implemented.	Digital Transformation team now in place to address horizon scanning and new tech introduction. Digital Strategy now published to provide a roadmap for technical enabling of key organisational strategies. A number of new products and data introduced using digital by default, cloud first technology with several more now agreed and in pipeline / flight. Refreshed ICT strategy being drafted. Apprentice onboarding process developed and agreed, to ensure that key skills are maintained.	Remains at 9	Medium
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents.	No change, not due to report until 31/3/23	9	Medium

21	Risk of rapid external fire spread in high rise premise resulting in a major incident	Following the introduction of a dedicated AM Prevention and Protection along with GM for Protection the Protection function has undergone a second stage of transformation which saw the introduction of Built Environment and Ops Liaison Officers (centrally managed) to implement the requirements of the Building Safety Regulator, manage premises in Interim Measures and oversee the life span of high rise, high risk premises. The legislation introduced following the initial Building Risk Review work has now come in to force with training provided to all Inspecting Officers and Operational crews. The Built Environment and Ops Liaison Team (BEOLT) continue to work with Responsible Persons to understand their external wall systems and their prioritisation of replacement in line with the NFCC Fire Risk Assessment Prioritisation Tool for wall systems. The risk of external wall systems contributing to significant fire spread remains and will do so for some time to come due to unprecedented demand on competent professionals to undertake wall surveys, the need to raise significant funds and the availability of products.	Remains at 10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017.	No change, not due to report until 31/3/23	9	Medium
23	Lack of leadership capacity impacting on delivery of services.	The Service continues to offer leadership development to supervisory and middle managers. The identification of talented individuals and the creation of a development	Remains at 9	Medium

		pathway is currently ongoing at a local level to ensure that there are suitably qualified competent staff to fill future leadership positions. A revised grading structure has been implemented for Green Book employees which should aid recruitment and retention.		
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness.	Previously discharged		
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	Previously discharged		
26	Increase in costs of and/or lack of availability of goods and services, following Brexit.	We are still continuing to see extended lead times on the majority of items, as an example LGV fleet vehicle lead times for chassis deliveries are currently 12-18 months. Costs continue to increase reflecting inflation, with many items increasing at a much higher rate, energy being the most significant of these, where costs have more than doubled.	Increases to 16	Medium
27	Increase in costs and administration associated with changes to pensions.	We have completed the necessary actions for backdating the payment of increased benefits and measures are in place to collect amended contributions. As a result of guidance from the Home Office, the National Scheme Advisory Board and the LGA that the proposed Immediate Detriment remedy	Remains at 16	High

		was not confirmed and carried financial risk to both the Fire Authority and individuals concerned, the Service has paused its actions awaiting both clarification and/or a new ID framework before proceeding. It is possible that the issue cannot be resolves until the Governments formal proposal for resolution is enacted in October 2023. We have set up our own Pension Team to support these exercises who are progressing the various strands, but the extent of the changes and complications are extremely resource intensive. We are liaising with our Pension Provider on costs and timescales for undertaking the work. We are liaising with Govt via LGA about meeting the costs of the administrative burden (some funding has been made available for this) and the additional net pension costs.		
28	Discontinued or long-term malfunction in the KPI management software product (CORVU).	No change, not due to report until 31/3/23	6	Low
29	High levels of staff absence due to pandemic.	No change, not due to report until 31/3/23	25	High
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability.	No change, not due to report until 31/3/23	12	Medium
31	Increase in costs associated with major Property projects due to changes in Building Regulations.	No change, not due to report until 31/7/23	12	Medium

32	Increase in energy costs.	No change, not due to report until 31/3/23	10	Medium
33	Removal of DCP/Outcome of Emergency Cover Review (ECR).	No change, not due to report until 31/3/23	15	High
34	Future of NWFC	The Deputy Mayor of Greater Manchester had written to the Chairs of other constituent Fire Authorities (Cumbria, Cheshire and Lancashire) advising of their intent to review existing arrangements at NWFC. The outcome of this will not be known for some time, but clearly this may have a longer-term impact on the future of NWFC and therefore how the Authority discharges the function.	12	Medium
35	Outcome of the White Paper impacting on Governance arrangements.	The Government was consulting on its proposals to reform the fire sector in England which included the potential to transfer fire functions to a single elected individual. Once the outcome was known it may impact on governance and therefore needed to be on the risk register for awareness.	9	Medium
36	Increase in pay costs	Pay awards were separately set nationally for green and grey book staff and a 2% award had been estimated in the budget. A pay offer of 5% has been made by the employers in respect of grey book pay. The FBU has recommended that their members reject this offer, and at the time of writing we were awaiting the outcome of this. A pay offer of £1925 per FTE had been made by the employer in respect of green book pay. Unison had accepted the offer however at the time of writing Unite and GMB were awaiting the outcome of their consultations. Both these offers significantly exceed the budget provision and would therefore lead to significant cost pressures in the current and future years budgets.	16	High

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

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

Local Government (Access to Information) Act 1985

List of background papers

Paper:
Date:
Contact:

Reason for inclusion in Part 2 if appropriate: N/A

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Appendix 1

CORPORATE RISK REGISTER Nov-22

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as pay, pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	We had previously anticipated a new 4-year Spending Review being published, however due to uncertainty this has been delayed. As such 22/23 is a one-year settlement, with a multi-year settlement anticipated later this year. Running alongside this is a Fair Funding and the prospect of moving to a 75% Business Rates Retention model, both of which will impact future funding, have also been put on hold. Whilst the Local Government Finance Settlement only covered one year the £5 flexibility provided in respect of council tax increases has enabled the Authority to 'right size' the budget and puts the Authority in a better position to meet future financial challenges. The MTFS showed the Authority being able to set a balanced budget over the next 5 years, assuming funding increased by 1% per annum, future council tax referendum limits were maintained at 2%, and assuming pay awards were 2% each year. Obviously if any of these assumptions are wrong the financial position will be more challenging	4	4	16	Continue to monitor position and review implications arising from future Spending Review/Finance Settlements.	31/03/2023	DoCS	DoCS	Corp Serv
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	The gathering of operational risk information is a key activity within LFRS. The service has adopted an integrated approach to managing the risk; thereby ensuring safe systems of work for all employees. LFRS will undertake incident pre planning and the gathering of operational risk information to enable: *The prevention of injury and ill health of firefighters and other emergency responders *Management and mitigation of risks in the community *Continual improvement in the provision of, accurate, relevant and timely operational information *Compliance with the legal duties on Fire and Rescue Authorities in relation to operational risk information *Compliance with formal guidance and "best practice" models; and Audit and review mechanisms. Premises based risks are assessed using the Provision of Risk Information to Staff (PORIS) methodology. The risk based information is formulated via an application on the iPad and categorised from Level 1 through to Level 5 (e.g. Top Tier COMAH Sites.) All known high risk premises are recorded on the system.	3	3	9	A key priority through the pandemic was the continued review programme of SSRI plans for built environment risks. As a function central to the management of risk it was safeguarded during the pandemic, given that risk sites may have needed to review their own operating procedures and policies in light of C-19 impacts upon them. REP have completed assurance (dip samples) of Level 4 PORIS sites and a formal Service level project has now commenced to further strengthen our Risk Information policy, practices, guidance and training.	31/03/2023	HoSD	DoSD	Serv Delivery
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	LFRS has a separate contingency plan in place that is specific to industrial action. This has been reviewed and reissued to all SMT and relevant staff. The Home Office has undertaken an audit of our arrangements, with the final reported noting our arrangements.	4	5	20	Continue to monitor the position regarding national pay award. Continue to hold IMT meetings to review situation and on-going plans to minimise the risk. Identify number and location of potential appliances. Develop internal and external communication plans	31/03/2023	HoSDD	DoSP	Strategy & Planning
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents.	2	3	6	Discharged				

CORPORATE RISK REGISTER **Nov-22**

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6	Discharged				
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	Recruitment of Whole-time and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team exists recognising the vital importance of this skill to safe and effective operations. Incident Commanders are now required to maintain a command license. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions. Through the Operational Assurance Group, Prevention, Protection and Response Task and Strategic Groups along with the Health, Safety and Environment Advisory Groups, internal and external learning are monitored and fed into the Training and Operational Review department to influence operational training.	3	3	9	Monitor effectiveness of Operational Assurance Performance Report in disseminating information. Additionally, Operational Assurance Officers are mobilised to provide additional assurance at incidents that meet specific criteria, broadly when the risk to FF's is incresed. For exampl,e this includes operational discretion and critical incidents. TOR continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training, monthly performance reports are sent to HoSD. TOR trainers are skill graded to ensure they operate consistently in terms of identifying training needs.	30/11/2023	HoTOR	DoSP	Strategy & Planning
7	Failure of key ICT systems resulting in disruption to services.	Resilience, backup and recovery measures all consistently evolving to respond to changing threat and vulnerability profiles. Asset replacement policy in place, regularly reviewed. Upgraded firewall's in place to provide perimeter defence, with enhanced email gateway, anti-virus, device control (USB) and removeable HDD encryption measures also rolled out. Windows 10 & Office 365 now rolled out. Patch and update policy in operation to ensure servers and workstations are up to date with latest security developments. Aggressive vulnerability scanning and remediation procedures now in place, regular security reviews and threat intelligence awareness with partner agencies and NCSC feeds. Modern Wide Area Network (WAN) to all administrative and operations sites now in play with improved outbound bandwidth available through Virgin managed internet access. Storage Area Network (SAN) data, infrastructure and all essential servers replicated to the disaster recovery site at STC. Resilient link from STC to County Hall in order to maintain LCC/OCL supplied services in the event of a failure at SHQ or the link to County, improved resilience in mobilising infrastructure at NWFC.	3	3	9	Complete migration of users mailboxes to 365. Achieve Cyber Essentials Plus. Identify pathway to Azure migrate for data, storage & infrastructure. Exploit cloud based security controls and increase secure score across subscriptions. Deploy Canary early penetration warning Implement IDS / IPS defence Identify and deploy most suitable SIEM solution Monthly data backups to offline storage with air-gap	30/11/2023	HoICT	HoICT	Strategy & Planning

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
8	Loss of corporate reputation through negative publicity.	Warning and informing communications toolkit and business continuity plan covers all aspects of risk including emergencies and broader reputational risk. Plan regularly tested during exercises. The communications department also plays a leading role in the Lancashire Resilience Forum warning and informing cell in relation to multi-agency emergency communications, training and exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. Updated guidance on corporate use of social media has recently been published and Teams training sessions are due to be offered to any staff who wish learn more. New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy. Scanning and planning function helps anticipate and plan for specific reputational risks and daily media monitoring highlights inaccurate reporting and emerging issues that that need to be addressed or corrected. This activity is communicated to members of service management team via a daily media summary email and reputational issues are managed through the executive board. The photography, film and graphic design service order was updated in 2021 and covers the policy on image use.	3	3	**9**	Additional capacity has been built into Corporate Comms. Training continues to be delivered. On-going monitoring and porting of all forms of communications.	31/03/2023	HoCC	HoCC	People & Development
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Enhanced retained pay scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Strengthening & Improving programme in place with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us.	3	3	**9**	Activity around RDS recruitment campaigns will continue to develop. Work continues between Retained Support Officers (RSOs) and HR on the recruitment of on-call staff. For those who fail the on-call course the RSO's continue to maintain contact and undertake developmental work with a view to attendance on subsequent courses. RSOs/HR additionally monitor success of on-call recruitment initiatives.	31/03/2023	HoSD	HoSD	Serv Delivery
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	**6**	Discharged				

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11	Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. Operational Assurance Programme. HSA3 – workplace inspection programme. Publication of risk information – Health and Safety Risk and Opportunities Register resulting in service objectives and targets, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. Safety event reporting and investigation process to facilitate learning. External audit and scrutiny through External Auditors. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. Annual SHE Report presented to CFA. LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our ISO 45001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group.	31/03/2023	HoSHE	HoSHE	People & Development
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Data encryption in place. Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority. A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Data protection has been added as a standard agenda item to several key Papers in the Service. The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.	3	3	9	Work is ongoing through a number of key projects to align many aspects of this work. This is being covered through the CorVu replacement project and the records management and intranet replacement project, both of which are Corporate Programme Board items. Amendments have been made to the district plans and intelligence profiles to assist with the planning and reporting functions, with a longer-term view of further developing this area of work. The records officer role has now drafted the associated policies to support the above workstreams and with the introduction of MS365 a more robust and secure mechanism will be in place to effectively manage data.	31/03/2023	HoServ Develop	DoSP	Strategy & Planning
14	Delayed mobilisation, impacting on service delivery.	System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. All types of roads have been assessed with an average road speed and implemented within the system, this has been loaded into road routing giving a more accurate ETA for appliances. Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves	3	3	9	Mobilising configurations are being reviewed to ensure that they remain fit for purpose. Dynamic Covergae Software (DCS) procurement agreed and will be brought into Service over the next 4-6 months, at first as a stand alone in LFRS and then to plug into NWFC.This will enable appliances to be redeployed based on risk and other incident activity ensuring we have the right fire cover in place at the right time.	30/11/2023	HoServ Develop	DoSP	Strategy & Planning
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				

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16	Lack of clarity on future of FRS, leading to inertia.	The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another. As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:- • remain as we are • move towards a PCC	2	3	6	Discharged				
17	Failure of ESMCP to deliver a viable communication facility.	Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. In 2019/20 the Programme awarded contracts to 2 suppliers for the creation and delivery of fixed vehicle devices for use in the fire appliances and wider fleet. The NW region is working closely with these providers to ensure the equipment meets our technical and end user requirements. In April 2020 the Programme made available equipment that has enabled LFRS to commence with the testing of coverage in order to gain the required assurances that the provision of network coverage is to contractual criteria and fit for purpose. The ESMCP Programme has consulted upon a refresh of the 2016 approved Full Business Case (FBC) and LFRS leads have engaged fully in the process in order to ensure that the proposed changes to the 2021 FBC are fully understood. Technical lead colleagues in LFRS and NWFC continue to work closely with the NFCC team to ensure that our NWFC mobilising system and internal supporting aspects such as station end equipment and vehicle mounted data terminals remain fit for purpose through and beyond ESMCP transition.	3	3	9	Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and integration with existing systems such as MDT. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding and key staff members such as Head of ICT are aligned to relevant work packages. Work to evaluate transition planning remains ongoing and includes aspects such as dual device (Airwave and ESMCP) fitting within fire engines, device convergence opportunities, coverage testing and early trials and pilot of the voice product.	30/11/2023	DoSP	DoSP	Strategy & Planning

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18	Inability to maintain service provision in spate conditions	Robust Business Continuity arrangements The published 2017-2022 LFRS Integrated Risk Management Plan recognises the impacts of wide area flooding (P2 increasing weather related events) as does our SOR for 2017. Ensure ESMCP specification recognises communication needs identified Training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support has been delivered, testing via an exercise to be completed LFRS vehicle fleet amended with multi-purpose (4x4) vehicles suitable for use in wide area flooding placed within the fleet, further purchases to follow in 2017/18 to extend the provision to 10. The enhancement of staff PPE with provision of flood suits and associated training is complete. The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas.	3	2	6	Discharged				
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	Digital Transformation team now in place to address horizon scanning and new tech introduction. Digital Strategy now published to provide a roadmap for technical enabling of key organisational strategies. 7 digital themes agreed to drive innovation and enhance digital capacity throughout the service. Revised programme board structure to provide key project and digital initiative oversight. A number of new products and data introduced using digital by default, cloud first technology with several more now agreed and in pipeline / flight.	3	3	9	Complete refreshed ICT strategy for publication. Agree apprentice onboarding process. Compile options paper for Exec for modern ICT / DT / SDD approach and supporting departmental structures Initiate and mature Community Developer concept Progress innovative partnerships to augment capacity through collaboration Continue to skill-up, train and educate users	30/11/2023	HoICT	DoSP	Strategy & Planning
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The CSS software application (Vector Incident Command) we run on our command units to manage the incident command system, went into administration and the Intellectual Property Rights (IPR) for the software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. Telent have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. However developments have been very slow	3	3	9	A project was set up to deliver a new command software solution and this is currently in the procurement stage, with a view to implementing a new systemin the new financial year.	31/03/2023	HoServ Develop	DoSP	Strategy & Planning

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21	Risk of rapid external fire spread in high rise premise resulting in a major incident	National policy reform is underway, but still has considerable distance to travel, involving revised Building Regulations, amendments to the Fire Safety Order in 2012 (giving FRS enforcement powers for cladding and flat front doors) and the new Building Safety Bill in 2022 (making FRS a joint regulator with HSE and Building Controls). In 2020/21 (until Dec) LFRS Inspectors are undertaking the MHCLG commissioned 'Building Risk Review' of all 75 High Rise residential premises in Lancashire to identify if any hazards exist beyond the use of ACM cladding. Such hazards include other unsatisfactory cladding systems, combustible balconies, and compartmentation breaches etc . All High Rise owners and managers have been written to signposting the Government Cladding Remediation Fund. Thematic Operational Assurance for high rise has been completed, which consisted of 15 audits covering all duty systems and areas across LFRS.Incident command training now covers more in-depth awareness of external fire spread and tactical considerations. Regional high rise exercises involving staff from LFRS have been completed in 2022. Introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). Furthermore, revised governance for Fire Protection has been introduced to drive reform with the introduction of dedicated AM for P&P and GMs for Prevention and Protection. As a result of the BRR and from ongoing audits, Policy has been introduced to manage buildings that have been identified as requiring 'interim measures', This includes details of what NWFC, REP, Protection and Service Delivery will do, including quarterly visits from Operational staff to premises in interim measures. OAG are progressing the GTI action plan, including training for responding to high rise incidents..	2	5	**10**	Following the introduction of a dedicated AM Prevention and Protection along with GM for Protection the Protection function has undergone a second stage of transformation which saw the introduction of Built Environment and Ops Liaison Officers (centrally managed) to implement the requirements of the Building Safety Regulator, manage premises in Interim Measures and oversee the life span of high risk, high risk premises. The legislation introduced following the initial Building Risk Review work has now come in to force with training provided to all Inspecting Officers and Operational crews. The BEOLT continue to work with Responsible Persons to understand their external wall systems and their prioritisation of replacement in line with the NFCC Fire Risk Assessment Prioritisation Tool for wall systems. The risk of external wall systems contributing to significant fire spread remains and will do so for some time to come due to unprecedented demand on competent professionals to undertake wall surveys, the need to raise significant funds and the availability of products. Regional high rise exercises involving staff from LFRS is planned for Q3 and the learning will be shared.	30/11/2023	HoP&P	DoSP	Strategy & Planning
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NWAS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. Statement of Intent agreed and signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary External training for both organisations Senior Management Teams delivered by Shares Services Architects. Work areas considered and a 32 item collaboration log has been created. Blue Light Collaboration Board has been extended to NWAS and both Programme and Sponsor level attendance at meetings is from the 3 blue light services. During the pandemic, collaboration efforts were focused on supporting the NHS, with blue light services all working effectively to deliver or support; mass vaccination sites, logistics for PPE, movement of bodies, temporary mortuary, face fit testing.	3	3	**9**	3 core projects to be progressed to scope report status:- • multi officer role • response arrangements • public order training at Washington hall Further roll out of EMR is dependent upon outcome of national pay negotiation Two Blue Light Collaboration meetings have been held in Q2. The next steps are to present the journey so far, and proposals for the ongoing work plan, to the Collaboration Executive team. Shared values will be discussed with a refresh of the MOU. Subsequently. key information will then be cascaded through management teams. There have been recent changes at executive level and programme board level within LanCon.	31/03/2023	HoSD	DoSP	Strategy & Planning

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23	Lack of leadership capacity impacting on delivery of services	Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent A more formal approach to Talent Management has been introduced with feedback to be given and opportunities for development identified through a lifetime/career conversation Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc. Coaching and mentoring system introduced Action Learning Sets introduced Leadership Conferences delivered Promotion Board in place with clear development and promotion pathways established for operational staff	3	3	**9**	The Service continues to offer leadership development to supervisory and middle managers. The identification of talented individuals and the creation of a development pathway is currently ongoing at a local level to ensure that there are suitably qualified competent staff to fill future leadership positions. A revised grading structure has been implemented for Green Book employees which should aid recruitment and retention	30/11/2023	HoHR	DoPD	People & Development
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	1	3	**3**	Discharged				
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	The case looked at the applicability of Working Time in connection with the Belgian Fire Service and their version of On Call Controls. Legal opinion is being sought in connection with the case to identify its impact in the UK. On more detailed examination, the case was not directly applicable to the UK, the issue in question was also resolved before further consideration by the Belgium Courts.	1	5	**5**	Discharged				
26	Increase in costs of and/or lack of availability of goods and services, following Brexit or arising from the war in Ukraine	We are continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. Costs continue to increase reflecting inflation, with many items increasing at a much higher rate, energy being the most significant of these, where costs have more than doubled In the short term we will need to drawdown reserves in order to deliver a balanced budget. We are still continuing to see extended lead times on the majority of items, as an example LGV fleet vehicle lead times for chassis deliveries are currently 12-18 months.	4	4	**16**	We continue to monitor impact, and will incorporate increases in our draft MTFS, as well as reviewing our level of reserves specific to this risk. We continue to asses level of contingencies required on all major projects, as a result of this.	30/11/2023	HoProc	DoCS	Corporate Services

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
27	Increase in costs and administration associated with changes to pensions	Following Court decisions re FF pension schemes there are two issues which have implications for the Service in terms of costs and administrative capacity: - •Various allowances were deemed pensionable, this being agreed with the FBU. However, as the Service has been unable to reach agreement with the FBU on backdating it has implemented a policy of 6 years backdating for relevant allowances from 1/6/21 •The McCloud/Sergeant judgement deemed that the protection arrangements for staff transferring from the 1992 scheme to the 2015 scheme was age discriminatory and therefore illegal, the Governments timescale for remedy is October 2023, hence an agreement has been reached between FBU and LGA to allow a current solution pending the final arrangements called "immediate detriment". This remedy gives personnel the option of having their benefits calculated based on the scheme they were transferred into (2015 scheme) or the scheme that they transferred from (92 or 2006 scheme) Both of these changes have significant implications in terms of capacity, and cost, to calculate the correct benefits due, as well as backdating of pension contributions. They also significantly increase the forecast cost of pension payments due at retirement, and the costs of pensions paid to those who have already retired.	4	4	16	We have completed the necessary actions for backdating the payment of increased benefits and measures are in place to collect amended contributions. As a result of guidance from the Home Office, the National Scheme Advisory Board and the LGA that the proposed Immediate Detriment remedy was not confirmed and carried financial risk to both the Fire Authority and individuals concerned, the Service has paused its actions awaiting both clarification and/or a new ID framework before proceeding. it is possible that the issue cannot be resolves until the Governments formal proposal for resolution is enacted in October 2023 We have set up our own Pension Team to support these exercises who are progressing the various strands but the extent of the changes and complications are extremely resource intensive. We are liaising with our Pension Provider on costs and timescales for undertaking the work We are liaising with Govt via LGA about meeting the costs of the administrative burden (some funding ahs been made available for this) and the additional net pension costs	30/11/2023	DoPD	DoPD	People & Development
28	Discontinued or long term malfunction in the KPI management software product (CORVU)	Close contract management with the provider to ensure that the product remains functional and fit for purpose. Staff member will lead responsibility is highly trained in the product and can carryout some maintenance in order to support functionality. Some alternative work arounds identified that will be resource intensive and may not provide the existing quality of data and subsequent analysis.	3	2	6	Continue to review the systems utilised in the sector and comparable users in order to identify a replacement product in a timely manner. Carryout a review of alternative work solutions in order to ensure that CFA Performance reports and Service Delivery District level reports remain deliverable. Priorities the upskilling of the new GIS / analyst to reduce the single point of failure risk.	31/03/2023	HoSDD	DoSP	Strategy and Planning
29	High levels of staff absence due to pandemic.	The pandemic BCP was implemented from March 2020 in response to Covid-19. IMT and various sub-groups were implemented to manage impacts including – enhanced monitoring of staff absence levels, notification processes, H & S guidance, appliance crewing models, increased home and remote working, re-defined core activities and support to LRF work streams. OHU department to provide advice to managers/staff. On-going liaison with LRF/Emergency Planning Depts. Staff absence levels peaked as expected during mid-January, following the Christmas / New Year relaxation of lockdown arrangements. LFRS accessed a provision of Lateral Flow Tests and began a pilot rollout across a number of locations aimed at early identification and isolation of asymptomatic cases of C-19. An ambitious rollout plan followed which resulted in LFT provision being made available in a self-sustaining manner across all 39 fire stations, Service Headquarters, Service Training Centre.	5	5	25	Interim BCP debrief conducted internally to capture learning from the first few months of the pandemic. Further internal and LRF debriefs to be progressed once BCP arrangements stood down. Higher levels of absence have materialised as expected, the position continues to be closely monitored to establish any impact. The Service has implemented a model of Hybrid Working, so staff can continue to work flexibly from home. The Service has promoted the availability and reimbursement of the flu vaccine to minimise the additional risks associated with seasonal flu. The availability of Lateral Flow Tests is promoted and staff continue to regularly test themselves to minimise the risk of transmission of Covid-19.	31/03/2023	HoSDD	DoSP	Strategy and Planning

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	A new Fire Standard for Emergency Response Driver Training has been published. This requires more training for new drivers within the sector, requiring: - • Current instructors added to a register and new instructors will need to complete a formal pathway; • A 10-day course with an element of night driving for all new appliance drivers; • A 10 or 15-day Initial Response course for flexi-officers depending on current competency in response driving; • Longer courses for special appliances which are not LGV. All of these will see a marked increase in the length of a driving course. In terms of the initial driving course the extension of time from 5 days to 10 days not only increase instructor time, but may lead to difficulties in the On-Call service as personnel will not be able to take the time away from Primary Employment to undertake training leading to a decline in On-Call appliance availability.	3	4	12	The increase in course duration for Emergency Response Driver Training will commence from April 2022. We have increased the Driver Training department establishment by an additional full time Driver Trainer. To provide flexibility, particularly for On Call staff, consultation and dialogue has taken place through the On-Call Practitioners Group. The courses will be split into weekly modules with options for a two week back to back course of one week, followed by a second week within a three month period. A review of driver trainer contracts is currently underway We will monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances This risk may increase over time as personnel leave the service and new entrants are required to comply with the new standard	31/03/2023	HoTOR	DoSD	Serv Delivery
31	Increase in costs associated with major Property projects due to changes in Building Regulations	A proposed upgrade of the Building Regulations was published as draft legislation in January 2021, and is subject to an on-going consultation. The construction industry was expecting a significant increase in the environmental standards for new buildings with a zero-carbon requirement anticipated, this has been confirmed in the draft legislation. However, the draft legislations also applies to existing buildings, whereby there will be a requirement to substantially upgrade the environmental credentials of existing buildings when a major refurbishment is undertaken. This will potentially see significant increase in upfront costs with more energy efficient heating/insulation being required, such as air-source heat pumps, PV panels, triple glazing etc, all of which care dearer than our current standards. Whilst contingences are included in major contracts these may not be sufficient to meet future requirements	3	4	12	In order to mitigate this we will need to account for this in cost estimates for all major property projects, and increase the contingency on projects to provide scope to meet potential cost increases. Given the scale of the Authorities Capital programme over the next 5 years this is considered a high risk at the present time, as if the legislation is implemented it will increase costs significantly on all projects commencing after June 2022, and this was not allowed for in the initial budget estimates.	30/11/2023	HoProp	DoCS	Corp Serv
32	Increase in energy costs	The service currently spend approx. £400k on energy. The contracts for both gas and electricity (let via a national framework agreement) fix the tariff at the start of each year, meaning that the increased costs on the market will not be passed onto the service in the current financial year. However when prices are fixed for next year we will potentially see a significant increase in costs. As a result the budget has been increased by £100k.	5	2	10	In order to mitigate the risk of significant increase we use a YPO framework which fixes prices. YPO actively review the market attempting to fix prices at the most favourable rates. We also look to introduce more energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).	31/03/2023	HoProp	DoCS	Corp Serv
33	Removal of DCP/Outcome of Emergency Cover Review (ECR).	There is a risk that the Emergency Cover Review is unable to identify suitable and affordable alternative duty systems for the DCP stations.	3	5	15	ECR working groups have been set up to engage with existing DCP staff to look at future duty systems. Potential cost implications will be closely monitored to ensure these are reflected in future updates to our MTFS.	31/03/2023	HoSDD	DoSP	Strategy and Planning
34	Future of NWFC	The Deputy Mayor of Greater Manchester had written to the Chairs of other constituent Fire Authorities (Cumbria, Cheshire and Lancashire) advising of their intent to review existing arrangements at NWFC. The outcome of this will not be known for some time, but clearly this may have a longer-term impact on the future o NWFC and therefore how the Authority discharges the function	3	4	12	Continue to monitor the situation	30/11/2023	HoSDD	DoSP	Strategy and Planning
35	Outcome of the White paper impacting on Governance arrangements	The Government was consulting on its proposals to reform the fire sector in England which included the potential to transfer fire functions to a single elected individual. Once the outcome was known it may impact on governance and therefore needed to be on the risk register for awareness.	3	3	9	Continue to monitor the situation	30/11/2023	Clerk	Clerk	Clerk

CORPORATE RISK REGISTER **Nov-22**

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
36	Increase in pay costs	Pay awards were separately set nationally for green and grey book staff and a 2% award had been estimated in the budget. A pay offer of 5% has been made by the employers in respect of grey book pay. The FBU has recommended that their members reject this offer, and at the time of writing we were awaiting the outcome of this. A pay offer of £1925 per FTE had been made by the employer in respect of green book pay. Unison had accepted the offer however at the time of writing Unite and GMB were awaiting the outcome of their consultations. Both these offers significantly exceed the budget provision and would therefore lea to significant cost pressures in the current and future years budgets.	4	4	16	Monitor the outcome of current negotiations/consultations. Ensure that potential costs are reflected in MTFS	31/03/2023	DoCS	DoCS	Corp Serv
37	Cyber Security	The Cyber Security threat landscape has changed significantly, which has been witnessed globally, regionally and across multiple emergency services and local authorities. Best practice standards set by the National Cyber Security Centre (NCSC) have adapted according to the change in the threat landscape, which means it's far more challenging to remain compliant. The necessary adoption of cloud based services has effectively more than doubled our attack vector. Government organisations are routinely and relentlessly targeted: of the 777 incidents managed by the National Cyber Security Centre between September 2020 and August 2021, around 40% were aimed at the public sector. This upward trend shows no signs of abating.	3	5	15	We have achieved the Cyber Essentials Plus certification, which must be refreshed every 12 months. The next re certification involves the prompt replacement of aging hardware/software as well as bringing in scope remote working, Wi-Fi security as well as several other areas which have previously been out of scope. The e-mail systems have been fully refreshed and we are going to be migrating all mailboxes to 365 for even better security and feature enhancements. A Cyber Security Strategy and subsequent options papers has been drafted and will be circulated around Exec board which covers what areas required investment. They include things like additional managed services to assist with monitoring the environment, Investment in next generation perimeter defences such as next generation Firewalls and changed to working practice, such as enforcing more secure password and multi factor authentication. We have been aligning with the National Cyber Security Centre best practice security framework and will continue to do so as that develops.	30/11/2023	HoICT	HoICT	Strategy & Planning

	37		30/11/2022	0
HIGH	8		31/03/2023	15
MEDIUM	19		31/07/2023	0
MEDIUM/LOW	7		30/11/2023	13
LOW	3	Discharged		9
	37			37

Scores

Likelihood		**Impact**
5	Certain, see next sheet	Minor, see next sheet
4	Very Likely, see next sheet	Noticeable, see next sheet
3	Likely, see next sheet	Significant, see next sheet
2	Unlikely, see next sheet	Critical, see next sheet
1	Rare, see next sheet	Catastrophic, see next sheet

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Lancashire Combined Fire Authority
Audit Committee

Meeting to be held on 29 November 2022

Contract Standing Orders – Proposed Amendments

Contact for further information:
Keith Mattinson – Director of Corporate Services - Tel No. 01772 866804

Executive Summary

The Authority is a Contracting Authority as defined within the Public Contracts Regulations 2015 (PCR), and therefore required to comply with the procedures and award of contracts as set out in these regulations.

Under PCR 2015, "contracting authorities" means, "the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law and includes central government authorities".

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

These have been reviewed and updated to reflect current practices, align with our regional partners, enable resources to be better focused, and reflective of the current financial and economic climate.

Recommendation

It is recommended that Audit Committee approve the amended Contract Standing Order thresholds and amendments as outlined in the report.

Information

It is proposed that these thresholds are amended as detailed below, which also reflect current external EU thresholds: -

Please note 'Find a Tender' replaced OJEU for the UK as part of Brexit arrangements as set out within The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020.

<u>FOR ALL GOODS & SERVICES & CONSULTANCY</u>

Up to £25,000:	With the exception of public utility Services i.e., gas, electric and periodical payments goods services or consultancy may be procured using an official order (PO).
Between £25,001 and £75,000:	At least three (3) written request for quotations (**RFQ**) must be requested. Procurement Department can assist, best value should be evidenced.

Between £75,001 and £213,477	A **Tender** process is required with Procurement Department involvement. This will be a 'Non-Find a Tender' process with a minimum of three (3) invites.
Over £213,477	A **Tender** process is required with Procurement Department involvement. This will be a 'Find a Tender' process, Regulations must be followed and with a minimum of three (3) invites. Find high value contracts in the public sector - GOV.UK (www.gov.uk)

FOR ALL WORKS

Up to £50,000	May be purchased using an official order (PO), best value should be evidenced.
Between £50,001 and £100,000	At least three (3) written request for quotations (**RFQ**) must be requested. Procurement Department can assist, best value should be evidenced.
Between £100,001 and £5,336,937	A **Tender** process is required with Procurement Department involvement. This will be a 'Non-Find a Tender' process with a minimum of three (3) invites.
Over £5,336,937	A **Tender** process is required with Procurement Department involvement. This will be a 'Find a Tender' process, Regulations must be followed and with a minimum of three (3) invites. Find high value contracts in the public sector - GOV.UK (www.gov.uk)

All Contracts above £25,000k must still be published as an opportunity on Contracts Finder and a Contract Award notice still to be completed.

Contracts Finder - GOV.UK (www.gov.uk)

In addition, it is also proposed to: -

- Increase the Member Tender Panel approval level from £100k to £175k
- Increase the High Value Procurement Report threshold from £100k to £175k

Note these thresholds have already been discussed with the Chair and Vice-Chair of Resources Committee who are supportive of the proposal.

Financial Implications

None directly arising from this report.

Business Risk

Contract standing orders form a key element of the control framework within which the Authority operates.

Environmental Impact

Health & Safety and Environmental considerations are taken into account during the tendering process - from the specification stage through to bid evaluation and contract award.

The Authority's Sustainable Procurement Policy provides specific guidance to Officers on this matter and environmental issues are considered during the procurement pack development with internal customers.

Equality & Diversity Implications

The Contract Standing Orders require every contract to include an obligation on the contractor to promote race equality and not unlawfully treat an individual or group less favourably on grounds of colour, race, nationality, ethnic origin, gender, sexual orientation, religion or belief.

Promoting equality and diversity throughout the procurement process and supply chain is a crucial objective for the Authority. Fairness, transparency, honesty, integrity, impartiality and objectivity must be evidenced in all procurement processes and decisions.

Compliance with the requirements of the Equality Act 2010 is mandatory and will be considered appropriately in procurement processes, requiring all suppliers to self-certify meeting requirements and checks if deemed required.

For each procurement project, the internal customer/ lead stakeholder is responsible for completing an Equality Impact Initial Screening and subsequent Assessment where deemed required. Where an assessment is required and undertaken, the internal customer/ lead stakeholder must ensure this is done pre-procurement and any required changes are made to their specification/requirements before any exercise progresses.

All procurement activity must comply with internal Contract Standing Orders, Financial Rules/Regulations (both within the Authority and Home Office) and relevant legislative requirements (the Framework of rules for procurement is determined by UK and European Law and any Domestic and European Procurement Directives must be complied with). All procurement exercises are carried out transparently and fairly in line with these.

HR Implications

None identified.

Local Government (Access to Information) Act 1985

List of background papers

Paper:
Date:
Contact:

Reason for inclusion in Part 2 if appropriate: N/A

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