APPENDIX 1

Lancashire Fire and Rescue Service

STATEMENT OF ACCOUNTS

2016/17

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2016/17

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 2016/17
- how these services were paid for
- what assets the Fire Authority owned at the end of the financial year, and
- what was owed, to and by, the Fire Authority at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts.

Contents of this Statement of Accounts

This Statement of Accounts covers the financial year ended on 31 March 2017 (referred to as 2016/17). It has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The Statement contains:

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

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority – The Auditor's report to the CFA on the accounts for 2015/16, which are set out in the sections shown below.

Statement of Responsibilities for the Statement of Accounts – Sets out the responsibilities of the Authority and the Treasurer with regards to the statement of accounts.

Comprehensive Income & Expenditure Account - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Fire Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement In Reserves Statement – This statement shows the movement in year on the different reserves held by the Fire Authority analysed between usable and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Fire Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2017, including the level of balances and reserves at the Fire Authority's disposal, its long term indebtedness and the value of the assets held by the Fire Authority.

Cash Flow Statement – This shows the cash and cash equivalent movements in and out of the Fire Authority due to transactions with third parties for revenue and capital purposes.

Fire Fighters Pension Fund Account and Net Assets Statement – Shows the financial position of the fire fighters pension fund account, showing whether the Authority owes, or is owed, money by the Government in order to balance the account, together with details of its net assets.

Review of the Year

In 2016/17 we have continued to successfully deliver a balance of prevention, protection and emergency response services whilst targeting our resources based on a thorough risk assessment.

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

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

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

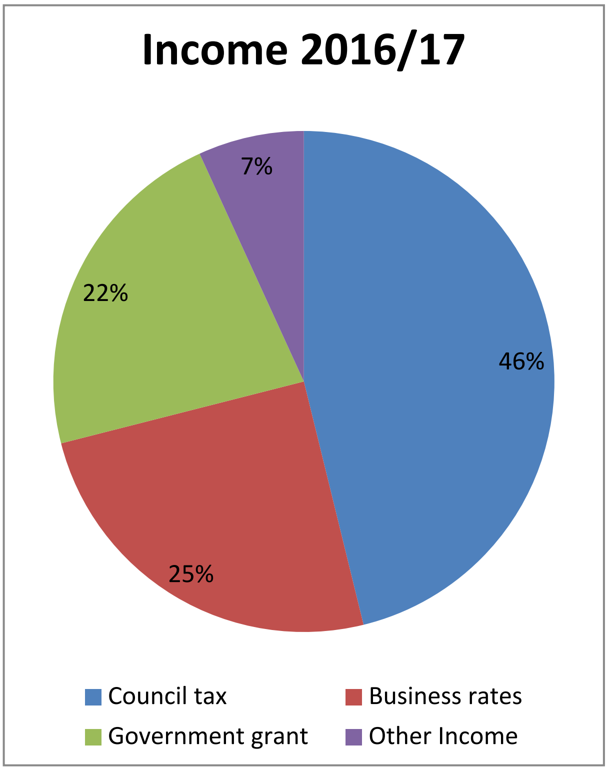
Non-financial performance has remained strong. Activity has decreased by 1.7%, and remains low at less than 15,200 incidents. Overall casualty numbers increased slightly from 49 to 51. The number of accidental dwelling fires saw an almost 10% decrease; however deliberate dwelling fires saw a marginal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

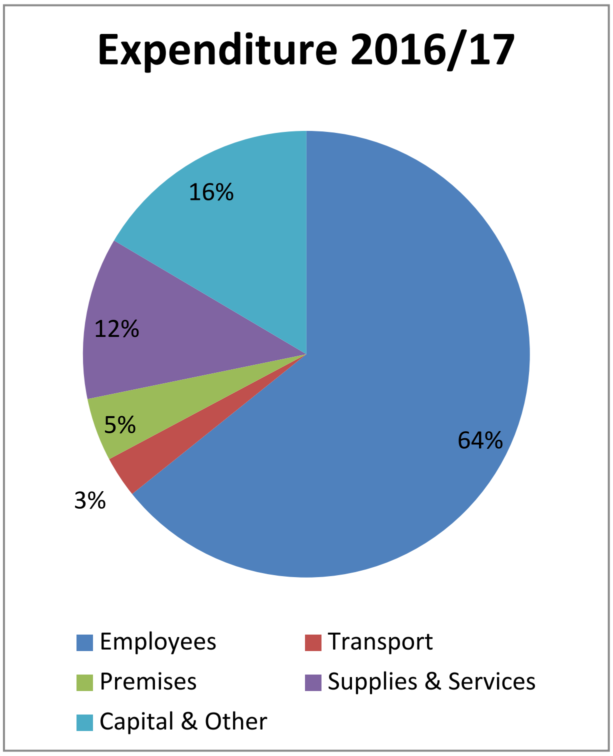
The 2016/17 Financial Overview

The Authority's spending is planned and controlled by an annual budget process, which leads to the setting of its budget requirement. Expenditure on the day-to-day running costs of the service is determined through the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

In setting its budget the Authority continued to balance the need to invest in service improvements, with the need to deliver efficiency savings and set a balanced affordable budget. Government funding fell by £1.9m. The Authority had to identify efficiencies of £2.5m in order to offset financial pressures in order to deliver an acceptable budget. This resulted in a gross revenue budget of £55.6m, a reduction of 2%. This resulted in a council tax of £65.50, an increase of 1%, which is just under £1.26 per week. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

Actual net expenditure for the year was £55.4m. The following charts show a breakdown of where the monies we receive come from and how we spent this:





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

Spend/income type	Budget £000	Spend £000	(Under)/ over spend £000
Employees: pay costs	38,997	38,035	(962)
Other employee related costs	107	147	40
Premises	3,040	2,719	(321)
Transport	1,944	1,770	(174)
Supplies & services	7,525	6,965	(560)
Capital financing costs & other	8,104	9,808	1,703
Total Expenditure	59,717	59,443	(274)
Income	(4,094)	(4,079)	14
Budget requirement	55,624	55,364	(260)
Funded by:			
Council tax	(27,565)	(27,565)	(0)
Business rates	(14,840)	(14,840)	(0)
Government grant	(13,219)	(13,219)	0
	(55,624)	(55,624)	(0)
Net Overspend	-	(260)	(260)

The Authority maintained its process of targeting reductions in expenditure, in order to enhance its financial position to deal with on-going funding reductions, generating savings of £4.0m in year against an anticipated target of £2.5m. The net revenue position shows a large underspend on pay, as a result of staffing vacancies being held throughout the year pending the removal of one wholetime appliance at Lancaster in October. This is negated by an overspend against capital financing and other costs, which reflects the Authority's decision to make an additional voluntary payment of £2.3m into the Capital Funding Reserve to reduce future pressures against the capital programme.

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

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

The Authority has increased the general fund balance by £0.3m to £10.4m, which is broadly in line with the current target level identified by the Treasurer (a minimum of £3.0m and a maximum of £10.0m). This gives greater capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are made within the Service, and the on-going use of reserves is a key element of the Authority's future financial plans. It is worth noting that the latest medium term financial strategy, identified at the time of setting the 2017/18 budget, shows approx. £7m of reserves being used by March 2021 meaning that we will be approaching our minimum reserve level at that time.

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

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

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

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

The Balance Sheet shows that the Authorities Total Net Liabilities increasing to £687m. However this reflects the Authorities compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority's overall pension liability of £797m is extremely large. If this liability was excluded the Authorities Total Net Assets would have increased to £110m.

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

Long term borrowing has reduced to £5.2m, as maturing loans are paid off in line with the Treasury Management Strategy. Funds continue to be set aside to provide scope to repay debt in future years, utilising balances previously charged to revenue in the form of Minimum Revenue Provision (MRP), as well as this year's £0.03m additional voluntary MRP payment.

Future Financial Plans

The Government's continued drive to tackle the national funding deficit and the resultant impact of this on public spending continues to dominate the financial plans for the public sector as a whole. The 2017/18 Local Government Finance Settlements identified a reduction of £2.3m grant. At the same time the Government again indicated its intention to minimise council tax increases identifying a 2% threshold for increases above which the Authority would need to hold a local referendum (note a referendum is estimated to cost in excess of £1.5m).

The Authority has maintained its position of attempting to minimise the impact of funding cuts on council tax payers and has therefore agreed a savings programme which will deliver £1.6m of savings in 2017/18. Overall these changes result in a revenue budget of £53.9m, a reduction of 3.0%. Based on this the Authority was able to freeze council tax at £65.50.

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

Based on the four year indicative settlement funding for the period 2016-17 to 2019/20 will fall by 19%, or £5.5m. We will continue to deliver a further £0.2m of savings during 2018/19 and 2019/20 (£4.3m over the four year settlement). Despite this we will still be faced with a funding gap of up to £2.4m in 2019/20, and hence we will continue to utilise reserves and identify savings in order to deliver a balanced budget in the medium term.

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

In light of this the capital budget continues to invest in our asset base, in particular vehicle replacement, refurbishment/replacement of stations, new IT requirements and new operational equipment. This gives rise to a capital program of £23m over the next five years.

This includes the re-build of Preston Fire Station, and we will start to look at options for this in 2017/18 although any building works are unlikely to start until the early part of 2018/19.

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

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes continued funding for new equipment arising from the research and development project, as well as the replacement of our thermal imaging cameras, Breathing Apparatus sets and telemetry, our cutting/extrication equipment, defibrillators and light portable pumps over the next five years.

This can be funded from a combination of revenue contributions, specific capital grant provided by the government, capital reserves and receipts and general reserves. As such the capital programme is affordable, sustainable and prudent.

The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates or within the level of reserves currently held:-

- Further reductions in funding levels, over and above those included in the provisional four year figures included in the Local Government Finance Settlement;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pensions costs/contributions;
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;
- Increase in costs associated with national projects eg ESMCP (Emergency Services Mobile Communications Project);
- Slowdown in “leaver rates” resulting in increasing staff numbers;
- Increased cost of partnership arrangements;
- Inadequacy of insurance arrangements;

Accounting Changes

The accounts have been prepared in accordance with the requirements of the latest Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2016/17 (the Code). The Code includes the following changes:

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

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

Scope of Responsibility

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

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

The Authority has approved and adopted an updated code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Included within the Code are the following core principles:-

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Code-of-Corporate-Governance.pdf)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the 2016/17 Statement of Accounts.

The Governance Framework

The Governance framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of Corporate Governance included in our Code and include:-

- The Integrated Risk Management Plan (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 was approved this year and can be found on our website at http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated-Risk-Management-Plan.pdf

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

- A Communication Strategy and the Consultation Strategy;

- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;

- A Corporate Programme Board to provide oversight across 3 areas:-
    - Business Process Improvement Programme
    - Workforce Development Programme
    - Service Delivery Change Programme.

  All major projects and reviews follow similar format and report to Corporate Programme Board

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
    - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
    - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
    - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements
    - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
    - The Appeals Committee -To hear relevant appeals, grievances and complaints

- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;

- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;

- Comprehensive suite of strategies and policies in place and regularly reviewed

- Codes of Conduct for members and officers, and member/officer protocol, that set out clear expectations for standards of behaviour;

- Both the Monitoring Officer and Treasurer are involved in the Authority's decision making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;

- The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government;

- Well publicised arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;

- A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed

- Comprehensive Business Continuity arrangements in place, and tested on a regular basis

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

- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet.

- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements.

- Comprehensive service review process in place, comprising external views in the form of Peer Assessment/Operational Assurance review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance has been discussed and approved by the Executive Board as to the effectiveness of the governance arrangements for which it is responsible, including the system of internal control. The statement of assurance covers all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements are in all cases at least adequate and in the majority of areas good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:-

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

- A revised Annual Service Plan has been agreed for 2017/18, providing clarity, both internally and externally, on our priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities.

- Business Continuity arrangements have been updated and tested.

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

- A revised code of conduct has been implemented.

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

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

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

- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.

- As part of the 2016/17 audit plan the auditors undertook various reviews and gave the overall opinion that they can "*provide substantial assurance over the framework of governance, risk management and control for 2016/17"* and *"that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and controls were generally applied consistently*."

- Grant Thornton provide an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2015/16:
    - Financial statements – "*We gave an unqualified opinion on the Authority's financial statements*"
    - Value for money conclusion – "*We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year*"

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

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

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

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

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service has in place a satisfactory system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Whilst no significant governance issues were identified, the following new areas for improvement, and outstanding recommendations from last year's statement, are listed below:

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

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

Signed:

County Councillor F DeMolfetta, Chairman, Lancashire Combined Fire Authority
28 June 2017

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

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

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

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer to the Fire Authority.

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Treasurer has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

K Mattinson CPFA	County Councillor F DeMolfetta
Treasurer to the Combined Fire Authority	Chair of Resources Committee
28 June 2017	28 June 2017

COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

MOVEMENT IN RESERVES STATEMENT 2016/17

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Comprehensive Income and Expenditure Statement for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

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

MOVEMENT IN RESERVES STATEMENT 2015/16

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

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable reserves are those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure). The second category is unusable reserves, and includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

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

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31 March 2017 and its income and expenditure for the year then ended.

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

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

CASH FLOW STATEMENT

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Prior Period Adjustment

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

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

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

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

2 Expenditure and Funding Analysis

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

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

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

2a Note to the Expenditure and Funding Analysis

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

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

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

3 Fire Authority Costs

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

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

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

4 Employees Emoluments

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

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

The above table excludes Senior Officers, who are disclosed individually in the tables in the following tables.

Senior Officers Remuneration

During the year, Senior Officers received remuneration packages as detailed below – these employees are also excluded from the table above.

Post holder information (post title and name) **2016/17**	Salary	Allowances (estimated based on 2015/16 figures)	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Chris Kenny	155,704	1,593	157,297	33,788	191,084
Director of Service Delivery – Justin Johnston	132,349	1,793	134,141	18,926	153,067
Director of Strategy & Planning – David Russel	124,563	1,648	126,211	17,813	144,023
Director of People & Development – Robert Warren	99,651	-	99,651	12,755	112,406
Director of Corporate Services – Keith Mattinson	99,651	146	99,797	12,755	112,552
	611,917	5,180	617,097	96,037	713,133

Post holder information (post title and name) **2015/16 – Restated***	Salary	Allowances Restated*	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Chris Kenny	154,389	1,862	156,251	33,503	189,754
Director of Service Delivery – Justin Johnston	128,731	1,554	130,285	18,409	148,694
Director of Strategy & Planning – David Russel	121,280	1,717	122,996	17,343	140,339
Director of People & Development – Robert Warren	98,664	-	98,664	12,629	111,293
Director of Corporate Services – Keith Mattinson	98,664	146	98,811	12,629	111,440
	601,728	5,279	607,008	94,513	701,520

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

Exit Packages

The number of exit packages with a total cost per band and total cost of voluntary redundancies are set out in the table below:

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

5 External Auditors Fees

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

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

6 Related Parties Transactions

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

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 4. As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

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

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

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

Officers

In 2016/17 one Senior Officer declared a family relationship with a Senior Officer in one of our major precepting authorities. Although there are significant transactions between the two parties in relation to business rates (£0.468m received from the precepting authority, 2015/16: £0.465m), and council tax (£2.184m received from the precepting authority, 2015/16 £2.144m), the administration of these is strictly defined by a statutory framework.

7 Property, Plant & Equipment

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

Movements during the Year

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

Movements in Property, Plant and Equipment analysed into their different categories for 2016/17 are:

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

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

The comparative figures detailing the movement during 2015/16:

Movement during the year	Other Land & Buildings	PFI Assets	Vehicles, Plant & Equipment	Surplus Assets	Assets Held for Sale	Total Property, Plant & Equipment
	Restated	Restated				
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015	45,195	21,798	19,450	16	-	86,459
Additions	863	-	3,049	-	-	3,912
Disposals	-	-	(281)	-	(325)	(606)
Reclassifications	(325)	-	-	-	325	-
Revaluations	4,303	1,345	-	4	-	5,652
As at 31 March 2016	50,036	23,143	22,218	20	-	95,417
Depreciation and impairments						
At 1 April 2015	(1,421)	(426)	(10,548)	-	-	(12,395)
Depreciation charge for 2015/16	(1,227)	(401)	(1,480)	-	-	(3,108)
Impairment losses recognised in the Revaluation Reserve	(217)	-	-	-	-	(217)
Impairment losses recognised in the Deficit on the Provision of Services	(431)	-	-	-	-	(431)
Disposals	-	-	281	-	-	281
Revaluations	1,294	292	-	-	-	1,586
As at 31 March 2016	(2,002)	(535)	(11,747)	-	-	(14,284)
Balance sheet at 31 March 2016	48,034	22,608	10,471	20	-	81,134
Balance sheet at 31 March 2015	43,774	21,372	8,902	16	-	74,064
Nature of asset holding						
Owned	47,769	-	10,387	20	-	58,176
Finance lease	380	-	84	-	-	464
PFI	-	22,608	-	-	-	22,493
	48,034	22,608	10,471	20	-	81,133

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

Heritage Assets

The Authority holds several heritage assets, in the form of both fire memorabilia such as antique fire extinguishers, and also two vintage fire appliances. Due to the nature of these assets, it is not possible to market test the value of these, therefore they are not included in the Property, Plant and Equipment note.

Capital Expenditure

The total capital expenditure in 2016/17 is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

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

Details of Assets Held

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

	2016/17	2015/16
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	39
Training School	1	1
Fire houses	1	1

Capital Commitments

Capital projects often take several years to complete, which means that the Authority is committed to capital expenditure in following years arising from contracts entered into at the Balance Sheet date, but on which all or part of the capital work has yet to be undertaken. The estimated capital expenditure committed at 31 March 2017 is £3.959m (2015/16: £1.453m).

8 Intangible Assets

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

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

9 Financial Instruments

Categories of Financial Instruments

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

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

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

Income, Expense, Gains and Losses

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

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term creditors, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2017 of 4.10% to 4.88% for loans from the PWLB
- This valuation takes into account the penalties that would be payable or discounts receivable on early repayment of loans to the PWLB. These penalties and discounts depend on the rate and period of each individual loan and on the rates for loans with similar periods to maturity prevailing at the balance sheet date.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- The fair value of the PFI liabilities has been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated bond yield rates.

The fair values calculated are as follows:

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

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

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

10 Debtors

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

11 Cash & Cash Equivalents

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

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

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

12 Creditors

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

13 Provisions

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

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

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

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

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

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

14 Other Long Term Liabilities

Other long term liabilities comprise the following:

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

15 PFI Schemes

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

PFF Lancashire Limited

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

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

Under the contract PFF Lancashire Limited made a contribution of £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority’s accounts. At 31 March 2017 the outstanding loan was £0.080m (2015/16: £0.085m).

Balfour Beatty Fire and Rescue NW Limited

The Authority is also involved in a second PFI project, with Merseyside Fire and Rescue Authority and Cumbria County Council to deliver 16 new fire stations, 4 of which will be in Lancashire. Contracts were signed with Balfour Beatty Fire and Rescue NW Limited in February 2011, with phased construction beginning in 2011/12 and completing in 2013/14.

Under the contract the Authority pays an annual unitary charge to Balfour Beatty Fire and Rescue NW Limited for serviced accommodation over the life of the contract, which runs for 25 years from initial handover of each station commencing in March 2011/12 for the Authority. The buildings and any plant installed in them at the end of the contract will be transferred to the Authority for nil consideration. The estimated capital value of the total scheme at the point of financial close was £47.886m, and for the Authority was £12.161m.

All PFI Schemes

All PFI stations are recognised on the Authority’s Balance Sheet from the date of initial handover. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant & Equipment balance in note 7.

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

Payments remaining to be made under both PFI contracts, and Government Subsidies to be received at 31 March 2017 are as follows:

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

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable over the life of the contract. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

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

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

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

The Authority participates in two pension schemes:

i) Uniformed Firefighters are covered by an unfunded, defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated by the Authority to meet actual pensions payments as they fall due.

ii) Other staff pensions are provided from the Lancashire County Pension Fund. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with the investment assets.

Transactions Relating to Post-employment Benefits

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

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

The change in the net pensions liability is analysed into seven components:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service cost/(gain) – the increase/(decrease) in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited/(credited) to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

Interest on liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid.

Interest on assets – the average rate of return expected on the investment assets held by the pension scheme.

Actuarial (gains) and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – (credited)/debited to the pensions reserve.

Employers' contributions – the payments made into the pension scheme by the Authority during the year in respect of current employees.

Retirement benefits payable to pensioners – the net payments made in respect of the Firefighter pension scheme. Note, the fund also received a top up grant of £15.827m (2015/16: £14.223m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 64.

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

Reconciliation of the fair value of the scheme assets:

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

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

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

Scheme history

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

The liabilities show the underlying commitments that the Authority has in the long-term to pay post employment benefits. The total liability of both schemes, £796.969m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £686.850m (2015/16: £571.976m). However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- Any surplus/deficit on the Local Government Pensions scheme will be recovered by annual repayments from/to the fund, as assessed by the scheme actuary, throughout the agreed surplus recovery period. Although the year end deficit above shows an £8m deficit, the latest actuarial valuation was actually a surplus of £4.3m as at 31 March 2016, which is being recovered by annual receipts of £0.3m from the pension fund.
- Finance is only required to be raised to cover fire fighter pensions when the pensions are actually paid.

Estimated contributions expected to be paid by the Authority into each scheme during the next financial year:

	Local Government Pension Scheme*	Firefighters' Pension Scheme	Total
	£000	£000	£000
Estimated contributions	644	3,934	4,578

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Firefighters' Scheme has been assessed by GAD (the Government Actuarial Department), an independent firm of actuaries. Estimates for the Firefighters pension scheme are based on a 'roll forward approach' which updates the last full valuation on 31 March 2015, taking account of any significant changes since this.

The Local Government Fund liabilities have been assessed by Mercer Resource Consulting Limited, an independent firm of actuaries. Estimates for the LGPS are based on a 'roll forward approach' which updates the last full valuation as at 31 March 2016, taking account of any significant changes since this.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.6	23.0	22.4	23.2
Women	25.2	25.6	22.4	25.8
Longevity at 65 for future pensioners:				
Men	24.9	25.2	24.7	25.7
Women	27.9	27.9	24.7	28.2
Rate of CPI inflation	2.30%	2.00%	2.35%	2.00%
Rate of increase in salaries	3.80%	3.50%	4.35%	3.50%
Rate of increase in pensions	2.30%	2.00%	2.35%	2.00%
Rate for discounting scheme liabilities	2.5%	3.60%	2.65%	3.50%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%

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

	Quoted in active market	Assets at 31 March 2017		Assets at 31 March 2016	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	-	-	15,132	34.4
Bonds	Y	1,887	3.6	1,782	4.0
Property	N	4,591	8.8	4,232	9.6
Cash/Liquidity	N	541	1.0	1,514	3.4
Other	N	45,092	86.6	21,367	48.6
		52,111	100.0	44,027	100.0

History of experience gains and losses

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

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

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

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

17 Usable Reserves

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

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

18 Transfers (to)/from Earmarked Reserves

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

19 Unusable Reserves

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

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		(37,868)		(36,358)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	3,337		2,210	
• Revaluation losses on Property, Plant & Equipment	1,477		431	
• Amortisation of intangible assets	132		134	
		4,945		2,775
Disposal of assets via the Comprehensive Income & Expenditure Statement		-		325
Adjusting amounts written out of the Revaluation Reserve		-		(95)
Net amount written out of the cost of non-current assets consumed in the year		4,945		3,005
Capital financing applied in the year:				
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,974)		(523)	
• Statutory provision for financing of capital investment charged against General Fund	(303)		(323)	
• Voluntary provision for financing of capital investment charged against General Fund	(28)		(162)	
• Use of capital reserves to fund expenditure	-		(552)	
• Use of earmarked reserves to fund expenditure	-		(105)	
• Capital expenditure charged to General Fund Balance	(1,534)		(2,850)	
		(3,839)		(4,515)
Balance as at 31 March		(36,762)		(37,868)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The reserve relates to both the LGPS and Firefighters pension schemes, and the large negative value of the reserve reflects the unfunded nature of the Firefighters pension scheme.

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

	Council Tax		Business Rates		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(792)	(682)	727	260	(65)	(422)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	58	(110)	-	-	58	(110)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	-	-	(657)	467	(657)	467
Balance at 31 March	(734)	(792)	70	727	(664)	(65)

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account manages the differences arising from the recognition of accrued employee costs in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund.

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

20 Contingent Liability

Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited (MMI) provided insurance to Lancashire County Council until the company ceased to underwrite in 1992. A scheme of arrangement was entered into by MMI with its creditors under the terms of which claims relating to the period of insurance continue to be paid out but, if a trigger point is reached where MMI has insufficient assets to pay remaining claims, a clawback of a proportion of claims paid since 30 September 1993 could occur to cover the outstanding claims. During the period in question, fire and rescue services were provided as part of Lancashire County Council, prior to the creation of Lancashire Combined Fire Authority as an independent body from 1 April 1998.

The position of the company has been reviewed on an ongoing basis to ascertain the likelihood of the trigger point being reached. Up until the Annual Reports & Accounts of the Company for the year ended 30 June 2011, the Directors of MMI were hopeful of achieving a solvent run-off of the Company with all claims costs (past or future) being met in full by MMI providing they received a successful Supreme Court judgement in early 2012. However, following the loss of the appeal in the Supreme Court, a solvent run-off became no longer likely, and the scheme of arrangement was triggered by the Directors on 13 November 2012.

However, it is currently unclear whether Lancashire Combined Fire Authority accepted liability for any future costs associated with insurance claims on disaggregation, and hence would potentially be liable for a share of the clawback, nor is it possible to estimate the amount of this contingent liability, therefore nothing has been included in the accounts.

Norman v Cheshire Fire & Rescue Service

As a result of the “Norman vs Cheshire” case there is a possibility that some allowances paid to staff working certain duty systems maybe pensionable. It is not yet clear if this ruling applies to our staff, nor how the calculation would be made, however there is a potential cost which may arise in the future if it is found that this ruling does apply. No allowance has been made in the accounts for this potential cost.

Firefighters Pension Scheme Transitional protection arrangements

In July 2015, the Fire Brigades Union (FBU) launched a collective legal challenge against the Government over the transitional protections under the new pension arrangements, which came into force on 1st April 2015. Their claim relates to alleged age, sex and race discrimination and possible equal pay complaints. This challenge was not upheld by the Employment Tribunal, however the FBU lodged an appeal which is being progressed. Although there is presently no indication that this appeal will be successful, the Firefighters Pension Scheme would meet any additional costs, rather than them being an additional cost to the Authority.

21 Post Balance Sheet Events

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

22 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.029m of the £0.069m balance is past due date for payment. On a prudent basis the Authority has created a provision for bad debts to cover any potential loss arising from this, which currently stands at £0.021m and which is considered sufficient for this purpose.

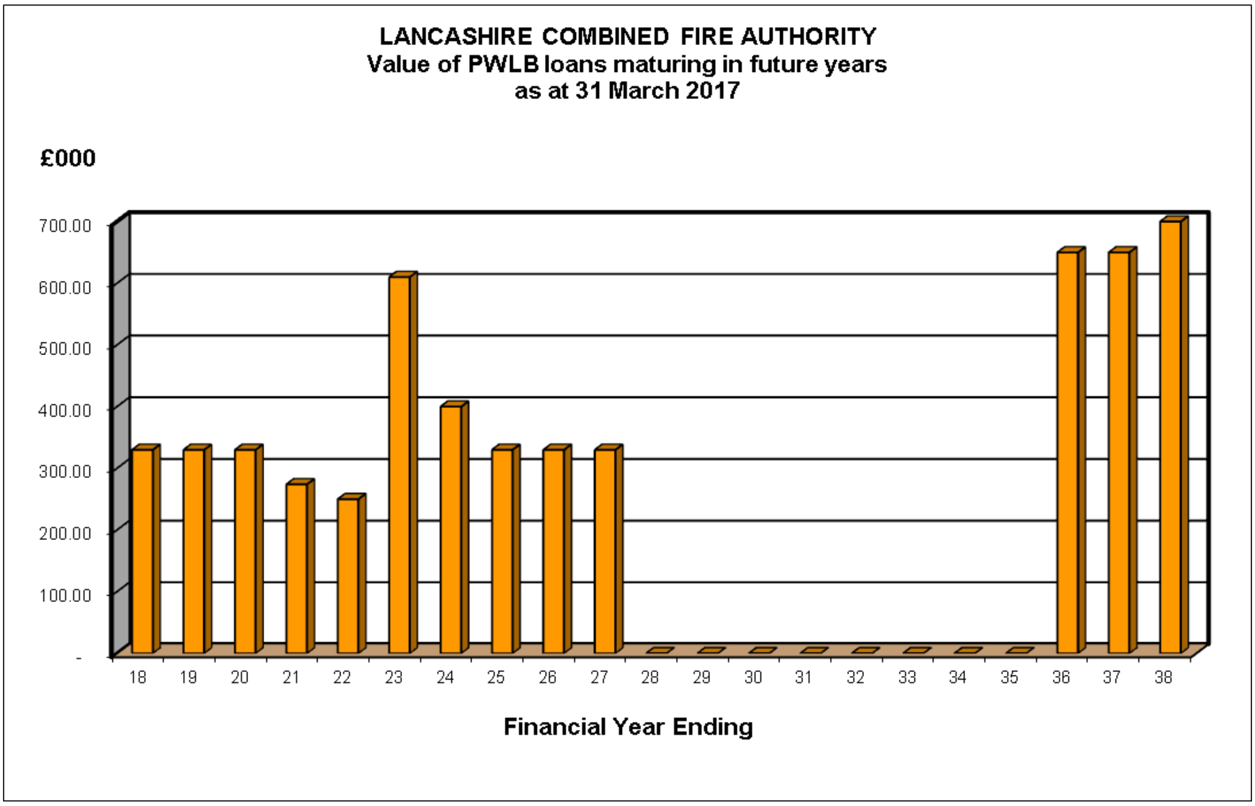
The past due amount can be analysed by age as follows:

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

Liquidity Risk

The Authority has a comprehensive cash flow management system (administered by Lancashire County Council's Treasury Management Team) that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from Lancashire County Council at current market rates. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. In managing our financial liabilities, we seek to achieve a maturity pattern of our borrowings which will ensure that there are no heavy concentrations of maturities in any one year.

The maturity profile of our debt is shown in the table below. This illustrates the spread of maturities into the future and how we have avoided the need for too much debt to be replaced in any one year.



Market risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rate movements would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the deficit on the provision of services will rise

We hold fixed rate financial liabilities (borrowings) and variable rate financial assets (investments).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate loans would not impact on the Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Instead, the effect of changes in market interest rates is to change the fair value of the liabilities reported in the notes to the balance sheet. Fair values represent the amount due if debt is repaid before its maturity date. When the loans finally mature, they will be repayable at their nominal values.

Our financial assets are the cash deposits placed in a call account with Lancashire County Council. Interest received on them is linked to the base rate. Each working day the balance on the Authority's Call Account is invested to ensure that the interest received on surplus balances is maximised. The average balance within this account throughout the year was £32.4 million and, with no change in that level of balances, a 1% increase in the market rate of interest, if sustained over the whole year would give rise to additional interest earned of £324,000 and a 1% fall would give a reduction of the same amount.

23 Local Authority Controlled Company – NW FireControl Limited

NW FireControl Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The Company has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NW FireControl Limited. The cost of the service is charged out to the four FRAs on an agreed pro rata basis agreed by a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. From 8th May 2017 Greater Manchester Fire and Rescue Service transferred into the Greater Manchester Combined Authority and the ownership of NW FireControl Limited therefore also transfers.

A detailed assessment for Group Accounting requirements has taken place during 2016/17 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2016/17 having considered both qualitative and quantitative factors, including the following:

- The 25% share of assets, liabilities, income and expenditure are not material against the balances of LFRS
- Exclusion of the values would not affect the true and fair concept of the financial statements
- The joint control centre was set up to generate savings for the FRAs not because they could not provide the service.
- There are no concerns regarding commercial risk
- No assets have been transferred from the FRAs to NW FireControl Limited
- The inclusion of Company figures into Group Accounting would not add value to the reader of the Statement of Accounts

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

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

*Net assets includes the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries.
All figures are shown net of VAT.
Invoices are raised quarterly in advance for the service to the Fire Authorities, the advance invoices in respect of Quarter 1 2017/18 are included in the above figures.
Transactions between LFRS and NW FireControl Limited include Invoices Raised by NW FireControl to LFRS for the Control Room service and use of facilities in the building.
Invoices raised by LFRS to NW FireControl Limited include charges for staff seconded to NW FireControl.
The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2017 for the final audited 2016/17 accounts.

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

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

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

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

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

26 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using the Discounted Cash Flow (DCF) model.	The Authority uses the DCF model to measure the fair value of its PFI liabilities. Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £2.4m.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to each scheme.	The effects on the net pension liability of changes in individual assumptions can be measured as follows: A 0.1% increase in these assumptions has the following effect on the net pension liability: • Discount rate – decrease of £15.2m • Inflation rate – increase of £14.7m • Pay growth – increase of £1.6m A 1 year increase in life expectancy will increase the net pension liability by £5.5m.

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

27 Accounting Standards issued but not yet adopted

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

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

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

28 Critical judgements in applying accounting policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about transactions involving future events. The critical judgement made in the Statement of Accounts are:

- NW FireControl Limited – The annual accounts are assessed each year for materiality to determine whether consolidation into the Lancashire Fire and Rescue Service Accounts is required, on both quantitative and qualitative grounds. After carrying out the assessment, our judgement is that consolidation is not required for the 2016/17 accounts.

29 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom – 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c Cash & cash equivalents

Cash is represented by cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

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

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

e Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover these charges. However, it is required to make an annual contribution from revenue (Minimum Revenue Provision (MRP)) towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or a minimum of 4%. In addition to the statutory MRP calculated, the Authority may also make voluntary MRP contributions in line with approved budgets and to reduce the ongoing borrowing requirement. Depreciation, impairment and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current financial year (the best estimate of future rates at the time of the accounts). The accrual is charged to the surplus or deficit on provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Firefighters Pension Scheme, administered by Lancashire County Council
- The Local Government Pension Scheme, administered by Lancashire County Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Firefighters' Scheme

Under IAS19 the future costs of retirement benefits have to be recognised in the accounts at the point at which the Authority becomes committed to paying them (the point when the benefits have been earned by the employee), even if the actual payment of benefits will be many years in the future.

This obligation to pay pensions benefits in the future is recognised as a liability in the Authority's Balance Sheet. In the service costs part of the Comprehensive Income and Expenditure Statement, transactions are recorded that indicate the change over the year in the pension liability. These are principally the future costs of pensions earned by Firefighters in service during the year. The transactions are not cash-based, but are actuarially-calculated amounts that reflect more closely the true changes in the scheme's long-term liabilities.

In calculating the liability for 2016/17, the actuary based the valuation on a roll forwards approach.

Top up grant received during the year from the Home Office to cover the pension costs of the above scheme are recognized in the Comprehensive Income and Expenditure Statement via adjustments in respect of the actuarial valuation.

The Local Government Pension Scheme

The same basic principles apply to the local government scheme with the difference being that, because this is a funded scheme (i.e. is backed by a portfolio of investments in equities, property etc), there are transactions recorded in the revenue account to reflect changes in the expected return on these assets. Like the transactions referred to above, these too, are actuarially-calculated figures.

On the Balance Sheet, the liability to pay future pensions is balanced, although at the moment not fully, by the fund's investment assets.

In calculating the liability for 2016/17, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2016/17, the actuaries used fair value basis for both derivatives and investments.

g Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. For all of the borrowings the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable plus accrued interest and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

h Financial Assets

The Authority holds only one type of financial asset, loans and receivables. These are its cash investments and debtors - assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the terms of the deposit agreement.

i Government Grants & Contributions

Government grants and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. When conditions have been satisfied, the grant is credited to the non-specific grant income line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

j Non Current Assets

Non current assets are included in the Balance Sheet at the estimated current value of the asset. They comprise:

- Property, plant & equipment - These are assets that have a physical substance which are used continuously to provide services or for administrative purposes.
- Intangible assets – Assets that do not have a physical substance but can be separately identified and controlled by the Authority (for example, software licenses). Spending on these assets is capitalised if the asset will bring benefit to the Authority for more than one financial year.

i) <u>Recognition</u>

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) <u>Measurement</u>

Land and buildings are revalued on a rolling five year basis by a suitably qualified surveyor. As at 31 March 2017, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, carried out revaluations on the identified properties. All valuations are on the basis of depreciated replacement cost, with the exception of one property used as offices, valued at Existing Use Value, and one surplus plot of land valued on an open market value basis.

All other Non current assets are valued at historic cost.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. The Revaluation Reserve was created with effect from 31 March 2007 with a zero opening balance. Gains arising before 1 April 2007 have been consolidated into the Capital Adjustment Account.

iii) Impairment

The Combined Fire Authority's non current assets are considered for impairment at the end of each year by appropriately qualified Property Consultants.

iv) Disposals

When an asset is disposed of the value of asset in the balance sheet is written off to the income and expenditure account as part of the gain or loss on disposal. Receipts from disposals are also credited to this, resulting in the netting off of receipts against the carrying value of the asset.

v) Depreciation

Depreciation is charged on those assets which have a finite useful life, in the year after acquisition:

- Intangible assets are assessed over their estimated useful life, 5 years.
- Land is assessed as having an infinite life, and therefore is not depreciated.
- Building assets are assessed for an appropriate property life by property professionals, in 10-year bands up to a maximum of 50 years.
- Equipment is depreciated over their estimated useful life, ranging from 5 to 20 years.
- Vehicles are depreciated over their estimated useful life, ranging from 5 to 15 years.

The charges are based on the opening net book value of assets at the start of the financial year and the estimated useful life of the asset, and are calculated in such a way as to give an equal charge to the revenue account in each of the years the asset is used.

vi) Componentisation

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

vii) Derecognition

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

viii) Non Current Assets Held for Sale

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

k Heritage Assets

The Authority holds several heritage assets, in the form of fire memorabilia and two vintage vehicles. Where a heritage asset is identified, where it is possible to reasonably estimate the value, this should be reported in the Balance Sheet subject to the usual criteria for asset recognition in the policy above. If no value exists, and a valuation could not be practicably obtained, the asset will be disclosed in a note to the accounts.

l Capital Receipts

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

m Valuation of Inventories

The Authority holds inventories of fuel, general stores and uniforms and they are valued on the basis of average cost. IPSAS12 (International Public Sector Accounting Standard) allows for specialised stock items to be valued at the lower of cost and current replacement cost.

n Leases

Leases are classified as finance lease where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

o Finance Leases

Plant and equipment held under finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the plant and equipment – applied to write down the lease liability, and
- A finance charge (debited to the Interest payable and similar charges line in the Comprehensive Income and Expenditure Statement).

Plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

p Operating Leases

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

q Private Finance Initiative (PFI) and similar contracts

<u>Current status</u>

The Authority has two existing PFI arrangements:

- With PFF Lancashire for Hyndburn and Morecambe fire stations, which is a continuing commitment for 30 years from May 2003; and
- With Balfour Beatty Fire and Rescue NW Limited to replace four fire stations in Lancashire as part of a wider scheme to replace 16 in total in conjunction with Merseyside Fire and Rescue Authority and Cumbria County Council. The contract will run for 25 years from the date of the final station being handed over during 2013/14.

Revenue transactions relating to the above schemes are explained in Note 15.

Accounting for PFI

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

Recognition of assets and liabilities

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

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

Minimum Revenue Provision (MRP)

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

Unitary Payment

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

Deductions from the Unitary Payment

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

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

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

r PFI Equalisation Reserve

The Authority holds two PFI equalisation reserves for the purpose of smoothing out, within the revenue account, the annual net cost to the Authority of payments under PFI contracts:

- In 2003/04 the Authority established a PFI equalisation reserve for the PFI contract with PFF Lancashire Limited. The contract relates to the provision and maintenance by PFF Lancashire Limited of two fire stations at Morecambe and Hyndburn; and
- In 2011/12 the Authority created a new PFI equalisation reserve in relation to the Authority's share of the PFI contract with Balfour Beatty Fire and Rescue NW Limited. The contract relates to the provision and maintenance of Blackburn, Burnley, Chorley, and Fleetwood fire stations.

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

s Provisions

The Authority has the power to establish provisions for any liabilities of uncertain timing or amount that have been incurred. Details of the Authority's provisions are given in note 13 to the Balance Sheet.

t Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the net cost of services in that year in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirements and employee benefits and do not represent usable resources for the Authority.

u Contingent liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the accounts.

v VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

w Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in note 21 of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

FIRE FIGHTERS PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

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

Net Assets Statement	2016/17 £000	2015/16 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(4,321)	(3,377)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	4,321	3,377
Net current assets at the end of the year	**-**	**-**

Firefighters Pension Fund Notes

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

The above statement shows the financial position of the total fire fighters pension fund account, showing that as at 31 March 2017 the Authority is owed £4.321m (2015/16: £3.377m) by the Home Office in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long term pension obligations can be found in the Authority's main statements, and also note 16 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

The note has been prepared in line with general accounting policies set in Note 29 – accounting policies, in particular section f.

<u>Contribution Rates</u>
Under the firefighters pension regulations the contribution rates during 2016/17 were as follows:

- for the 1992 scheme were circa 35.9% on average of pensionable pay (21.7% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2006 scheme were circa 22.3% on average of pensionable pay (11.9% for employers and between 9.4% and 10.9% for employees dependent on salary)
- for special members of the 2006 scheme were circa 35.9% of pensionable pay (21.7% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2015 scheme were circa 26.5% on average of pensionable pay (14.3% for employers and between 10% and 14.5% for employees dependent on salary)

These contribution levels are set nationally by the CLG, and are subject to triennial revaluations by the Government Actuary's Department. Three ill health retirements were recognised during 2016/17, and one in 2015/16.

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

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

<u>Future Liabilities</u>
The firefighters pension fund financial statements do not take account of liabilities to pay pensions and other benefits after the period end, however details of the firefighters pension fund long term pension obligations are recognised in the Authorities financial statements, details can be found in note 16.

GLOSSARY OF TERMS

Accrual
A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the Balance Sheet date.

Amortised cost
Amortised cost is a valuation basis for financial instruments that, in the case of this Authority's assets and liabilities, is equal to their nominal value plus any interest accrued to the balance sheet date.

Budget
A statement which reflects the Authority's policies in financial terms and which quantifies its plans for spending over a specified period. The Revenue Budget (i.e. spending other than capital expenditure) is normally finalised and approved in January prior to the commencement of the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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