



STATEMENT OF ACCOUNTS

2015/16

# LANCASHIRE COMBINED FIRE AUTHORITY

## STATEMENT OF ACCOUNTS 2015/16

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## NARRATIVE REPORT

The Lancashire Combined Fire Authority (CFA) (the Authority) was established as a free-standing body from 1 April 1998. It sets its own budget, holds its own reserves, raises its own council tax and receives funding direct from the Government and through business rates.

The Authority must prepare and publish a Statement of Accounts annually. Its purpose is to give electors, local taxpayers, Fire Authority Members, employees and other interested parties clear information about the Fire authority's finances.

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2015/16
- 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 2016 (referred to as 2015/16). 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 2015/16. 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** – 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.

**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.

**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.

**Balance Sheet** – This shows information on the financial position of the Fire Authority as at the 31 March 2016, 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** – 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 2015/16 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.

Emergency Cover Review changes have been completed with the creation of the USAR team and Day Crewing Plus at Bamber Bridge and Chorley, delivering a saving of £1.6m whilst maintaining response standards. Chorley Retained Duty System (RDS) team has also relocated to the new Chorley Fire Station. A new RDS team for Lancaster has been recruited and trained, and will go live in late 2016 replacing the existing second whole-time pump and delivering savings of £0.9m. Skelmersdale Fire Station will also move onto the Day Crewing Plus system at the start of the new financial year.

Responsibility for the Fire Service nationally has transferred to the Home Office. New legislation will enable a Police and Crime Commissioner to take over governance of a fire and rescue service if there is local support. At the present time there are no indications that this is the case in Lancashire. The legislation will also require us to consider collaboration with police and ambulance in developing and delivering activities. We already work collaboratively with many partners and are well respected by these partners and are supported by the public in these collaborations:-

- 2015/16 saw the implementation of gaining entry support to North West Ambulance Service across the county, removing some of the burden previously placed on Lancashire Constabulary to undertake this activity. So far, we've helped nearly 700 people get the medical assistance they needed more quickly – 80% within ten minutes of the call to us.
- It also saw the introduction of the first nationally approved community first responder scheme with North West Ambulance Service in Morecambe and Ormskirk, attending over 450 incidents and ensuring that the public get the quickest possible assistance to specific types of medical emergencies, thus improving survival rates.
- We have continued to explore opportunities to share sites with other public bodies, and are in the process of finalising plans for a joint Fire & Ambulance Station in Lancaster, which is part funded by Government grant. This will be the third station that we share with North West Ambulance Service, after Darwen and Preston Fire Stations. We are also reviewing options around Morecambe Fire Station. In addition we already share Preesall Fire Station with the Police and with Sure Start.

We have developed a new Home Fire Safety Check Service, with a new website, online risk assessment and automated visit booking system. The system screens out those who are at a lower risk of fire, providing them with a tailored on-line check service. This frees up crews to concentrate on making home visits to those most at risk and already we have seen a 13% increase in the number of visits we make to “high risk” people.

Successful campaigns included “dying for a dip” – a high-impact education package with hard hitting case studies to promote water safety and a campaign to highlight the dangers of loose clothing. Other key prevention activity included sharing the stage with the Wasted Lives team to introduce a new session, “Safe Drive: Stay Alive”.

Non-financial performance has remained strong. Whilst activity has increased by 17%, partly attributable to the introduction of the gaining entry and first responder schemes highlighted above, and partly due to the extensive flooding that occurred over Christmas, it still remains low at less than 15,500 incidents. Overall casualty numbers fell from 59 to 53. The number of accidental dwelling fires also saw a marginal increase; however deliberate dwelling fires fell by over 20%. Further information relating to our non financial performance including emergency response times, numbers of fires and

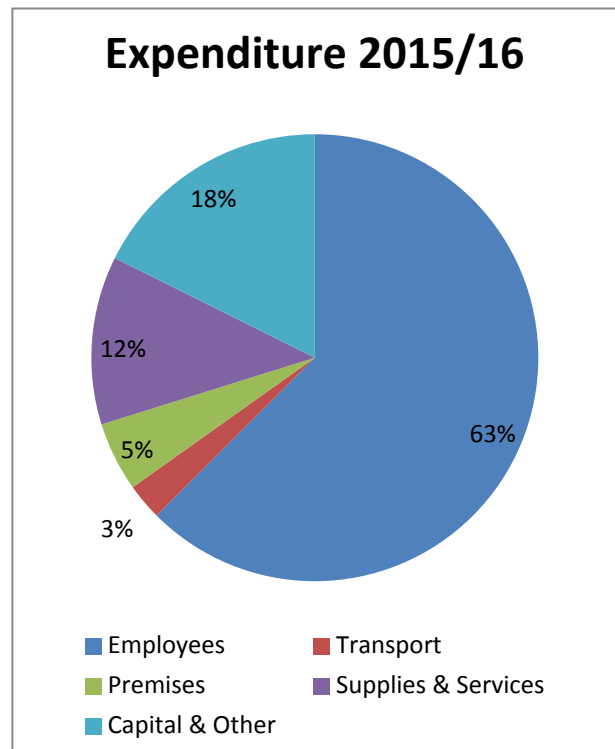
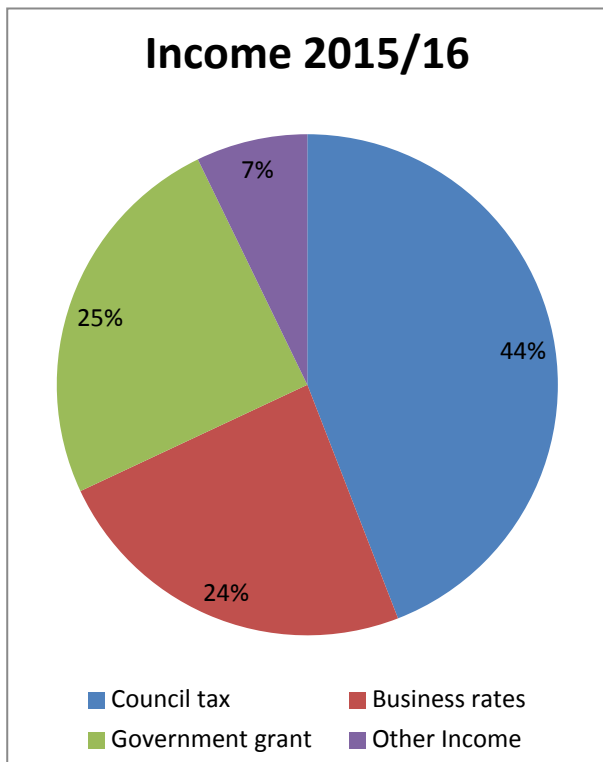
their severity can be found on our website at [Performance Report 2015-16](https://vimeo.com/172540630)  
(<https://vimeo.com/172540630>)

### The 2015/16 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, excluding specific council tax freeze grant, fell by £2.9m. The Authority had to identify efficiencies of £3.4m in order to offset financial pressures in order to deliver an acceptable budget. This resulted in a gross revenue budget of £56.7m, a reduction of 2.7%. This resulted in a council tax of £64.86, an increase of 1.9%, which is just under £1.25 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.(subsequent to this the Authority received an additional £0.2m of Section 31 grant relating to Business Rates, increasing its total budget, as set out below, to £57.0m.)

Actual net expenditure for the year was £57.4m. The following charts show a breakdown of where the monies we receive come from and how we spent this:



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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	39,525	38,479	(1,046)
Other employee related costs	638	199	(439)
Premises	3,090	3,104	14
Transport	1,937	1,630	(307)
Supplies & services	7,743	7,535	(208)
Capital financing costs & other	8,009	10,917	2,908
Total Expenditure	60,942	61,864	923
Income	(3,972)	(4,417)	(445)
Budget requirement	56,970	57,448	478
Funded by:			
Council tax	(27,074)	(27,074)	-
Business rates	(14,686)	(14,686)	-
Government grant	(15,210)	(15,210)	-
	(56,970)	(56,970)	-
Net Overspend	-	478	478

The Authority maintained its process of targeting reductions in expenditure, including its on-going recruitment freeze in order to enhance its financial position to deal with on-going funding reductions, generating savings of £5.2m in year against an anticipated target of £3.4m. The net revenue position shows a large underspend on pay, as a result of staffing vacancies being held throughout the year pending forthcoming planned reductions in establishments. 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 £3.2m to the Local Government Pension Fund to reduce future liabilities and hence reduce the overall cost of this scheme in future years.

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 21.

	£m
Revenue Budget Position	0.521
Transfer from earmarked reserve – DFM balances	(0.043)
Accounting for pensions under IAS19 (see Movement in Reserves Statement, page 19)	8.233
Various other adjustments not affecting council tax	(2.393)
Removal of transfers (to)/from earmarked reserves	(0.604)
Surplus on the provision of services (see Comprehensive Income and Expenditure Statement, page 21)	5.714
Surplus on revaluation of non-current assets	(7.021)
Actuarial loss on pensions assets and liabilities	(35.461)
Total Comprehensive Income And Expenditure (see Comprehensive Income and Expenditure Statement, page 21)	(42.482)

Whilst the Authority has utilised £0.5m of general fund balance it still holds £10.2m, 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 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 2016/17 budget, shows approx. £7m of reserves being used by March 2020 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £9.5m of earmarked revenue reserves and £11.8m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £6.2m and £2.9m respectively by the end of 2018/19.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £4m, as set out below:-

Capital Budget	Spend 1516 £m
Vehicles	
Pumping Appliances – completion of 5 Pumping Appliances from the 2014/15 capital programme, and completion of 5 Pumping Appliances in the 2015/16 programme.	1.6
Operational Support Vehicles – purchase of two aerial ladder platforms, in addition to various support vehicles, such as vans and cars	1.3
Buildings	
Training Centre site works, including replacement of the emergency generator, works to Lancaster House and work relating to on site training props	0.3
New accommodation at Skelmersdale and Bamber Bridge Fire Stations in order to facilitate the 'Day Crewing Plus' crewing system, to deliver long term efficiency savings	0.7
ICT	
Implementation of an asset management system, and purchase of a replacement training course and skills management system	0.1
Total	4.0

The service was successful in bidding for £3.0m of capital grant, provided by the government, in order to deliver longer term efficiency savings. This funded the conversion of Skelmersdale Fire Station onto the Day Crewing Plus system, as well as providing £2.4m of grant to contribute to the cost of redevelopment of Lancaster Fire Station in order to provide a joint Fire and Ambulance Station. However due to delays in identifying a suitable site work on this scheme did not occur in 2015/16 but is scheduled to commence in 2016/17. As part of this project the Authority purchased an adjacent property in May 2016.

The Balance Sheet shows that the Authorities Total Net Liabilities decreasing to £572m. 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 £672m is extremely large. If this liability was excluded the Authorities Total Net Assets would have increased to £98m.

Long term assets have increased in value to £90.0m, reflecting the expenditure incurred in year and the net outcome of revaluations. Included within this is the disposal of the old Chorley Fire Station site.

Long term borrowing has reduced to £5.6m, 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 £0.2m additional voluntary MRP payment.

## Future Financial Plans

The Government's 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 2016/17 Local Government Finance Settlements identified a reduction of £1.9m 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 £2.5m of savings in 2016/17. These are partly offset by costs associated with the need to recommence recruitment in 2016/17 and with the additional investment proposed for various other areas, most notably the Retained Duty System. Overall these changes result in a revenue budget of £55.6m, a reduction of 2.0%. Based on this the budget limits the increase in council tax to 1.0%, giving a revised council tax of £65.50, an increase of £0.64.

As part of the Local Government Finance Settlement the Secretary of State announced an offer of four year funding settlements for local authorities in return for publishing an efficiency plan. The Authority is currently determining whether to apply for this.

Based on the four year indicative settlement funding will fall by 19%, £5.5m. We will continue to deliver a further £1.1m of savings (£3.6m over the four years). Despite this we will still be faced with a funding gap of up to £1.4m 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 £20m 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 the new financial year although any building works are unlikely to start until the latter part of 2017/18.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes funding for new equipment arising from the research and development project, as well as the replacement of our thermal imaging cameras, BA sets and telemetry and our cutting/extrication equipment 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,



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

**Accounting Changes**

The accounts have been prepared in accordance with the requirements of the latest Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2015/16 (the Code).

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

### **Scope of Responsibility**

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

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

The Authority has approved and adopted a 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. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

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

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

### **The Purpose of the Governance Framework**

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

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

being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the 2015/16 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 sets out the strategic focus and medium term ambitions for the Authority including its objectives; how these will be achieved and measured; key projects and strategies to be developed out of the Plan and description of how we conduct our business. The current plan covering 2013-2017 was approved this year and can be found on our website at <http://www.lancsfireandrescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated%20Risk%20Management%20Plan.pdf>
- Annual Service Plan, setting out Vision, Activities, Priorities and Values. The current plan covering 2016-17 was approved this year and can be found on our website at <http://www.lancsfireandrescue.org.uk/sites/lancs/Pages/ContentDocuments/Annual-Service-Plan.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;
- A Corporate Programme Board 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 (2010);
- 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 Partnership Protocol which sets out arrangements for entering into partnerships;
- 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 introduction of the Annual Service Plan, has provided greater clarity, both internally and externally, on our four 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.
- The introduction of the Corporate Programme Board arrangements has driven further improvements in terms of delivering our objectives and managing projects and reviews
- Revised Risk Management arrangements have been implemented, focusing more on key risks and the link to Corporate Programme Boards and major projects.
- Business Continuity arrangements have been tested throughout the year, due to the major flooding that occurred in December, and are currently being updated to provide a more flexible response
- An updated Workforce Development Strategy has been agreed
- The Audit Committee has undertaken a self-assessment exercise to ensure it discharges its requirements in an effective manner. This did not identify any significant weaknesses.
- 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 2015/16 audit plan the auditors undertook various reviews and gave the overall opinion that they can provide substantial assurance over the internal control environment, governance and risk management arrangements for 2015/16, and that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service and controls were generally applied consistently;

- Grant Thornton UK LLP 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 arrangements and provided the following audit conclusions in relation to 2014/15:
  - an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2015 and its income and expenditure for the year

- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified short form assurance statement on the Authority's Whole of Government Accounts submission

Last year's Annual Governance Statement identified the following areas for improvement:-

Area for Improvement	Action to date	Completed/ On-going
Develop revised Risk Management Strategy	New Risk Management Strategy agreed and implemented, incorporating removal of Directorate Risk Registers to reduce bureaucracy and reference to Corporate Programme Board process which includes a risk assessments for all major projects/reviews	Completed
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:- <ul style="list-style-type: none"> <li>• Knowledge Management Strategy.</li> <li>• Records Management Strategy.</li> <li>• Information Governance Strategy.</li> <li>• System Integration Strategy.</li> <li>• User Support Strategy.</li> </ul> The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken	On-going
Improvements highlighted in the Services Operational and Organisational Assessment Improvement Plans need to be completed	All improvements have been completed.	Completed
The Workforce Development Strategy to be reviewed in light of changing age profile	An updated Workforce Development Strategy was agreed in March. Incorporating updated retirement profiles	Completed
Undertake a Governance review, including reviewing Terms of Reference for Committees, Standing Orders, Scheme of Delegation and Financial Regulations	This work remains outstanding	On-going
Undertake a new Audit Committee self-assessment based on latest CIPFA guidance (self-assessment undertaken in 2014/15 based on old guidance)	An updated self-assessment was agreed in March.	Completed
Review partnership engagement and opportunities	Following work streams being progressed:- <ul style="list-style-type: none"> <li>• Safe and Well visits – identified 6 key</li> </ul>	On-going

	<p>areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes.</p> <ul style="list-style-type: none"> <li>• Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services</li> <li>• Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan</li> <li>• Volunteer work stream is progressing with the use of volunteers in delivering Fire Cadets.</li> <li>• Group Manager has been seconded within Lancashire Constabulary to consider opportunities for joint working.</li> </ul>	
Develop a more flexible way of ensuring the delivery of our business continuity arrangements	<p>A new process has been agreed. All departments have completed Business Impact Assessments and are finalising recovery plans.</p> <p>The strategic plan is near completion with input outstanding from tactical plans</p> <p>The tactical plan for the displacement of staff from SHQ is in development.</p>	On-going
Deliver services digitally to the public using web technology	<p>A new Internet site has been introduced. The HFSC project has delivered services digitally to the public using web technology.</p> <p>Further work is required in order to agree other areas for development</p>	On-going
Develop a staff engagement strategy and improvement action plan	<p>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.</p> <p>Further work required to look at reviewing staff recognition and developing staff sounding boards</p>	On-going
Introduce a formal coaching and mentoring programme	<p>Coaching &amp; mentoring training rolling out to Supervisory Managers</p> <p>Managers in development have mentors appointed</p> <p>Coaching programme being developed</p>	On-going

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 review has highlighted a number of areas for further improvement, as well as the outstanding recommendation from last year's statement, referred to earlier:

- 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
- Review our appraisal system to better align individual tasking with organisational priorities and values
- Review progress against the Equality and Diversity National framework

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  
23 June 2016

C Kenny,  
Chief Fire Officer,  
Lancashire Fire and Rescue  
Service  
23 June 2016

K Mattinson CPFA,  
Treasurer, Lancashire  
Combined Fire Authority  
23 June 2016



**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 2016.

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

K Mattinson CPFA  
Treasurer to the Combined Fire Authority  
29 June 2016

County Councillor F DeMolfetta  
Chair of Resources Committee  
29 June 2016

### MOVEMENT IN RESERVES STATEMENT 2015/16

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 balance	Earmarked reserves	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
Balance at 31 March 2015 carried forwards	10,664	9,238	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)
Other comprehensive income and expenditure	-	-	-	-	-	-	42,482	42,482
Total comprehensive income and expenditure	(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)	-
Amortisation of intangible assets	134	-	-	-	-	134	(134)	-
Disposal of assets	(84)	-	-	-	314	230	(230)	-
Capital grants applied	(3,002)	-	-	2,479	-	(523)	523	-
Provision for the repayment of debt	(485)	-	-	-	-	(485)	485	-
Capital expenditure charged against General Fund Balance	(2,850)	-	-	-	-	(2,850)	2,850	-
Amount by which the Code and the statutory pension costs differ	8,233	-	-	-	-	8,233	(8,233)	-
Amount by which the Code and the statutory collection fund income differ	356	-	-	-	-	356	(356)	-
	5,840	-	-	2,479	314	8,633	(8,633)	-
Net increase/decrease before transfers to earmarked reserves	126	-	-	2,479	314	2,919	33,849	36,768
Transfers (to)/from earmarked reserves	(385)	280	-	-	-	(105)	105	-
Transfers (to)/from capital funding reserve	(231)	-	(321)	-	-	(552)	552	-
Transfers (to)/from accumulated absences adjustment account	11	-	-	-	-	11	(11)	-
Net tfr (to)/from earmarked reserves	(605)	280	(321)	-	-	(646)	646	-
Increase/(Decrease) in the year	(478)	280	(321)	2,479	314	2,274	34,494	36,768
Balance at 31 March 2016 carried forwards	10,186	9,518	10,284	2,479	1,501	33,968	(605,943)	(571,976)

**MOVEMENT IN RESERVES STATEMENT 2014/15**

	General fund balance £000	Earmarked reserves £000	Capital funding reserve £000	Capital receipts reserve £000	Total usable reserves £000	Unusable reserves £000	Total Authority reserves £000
Balance at 31 March 2014 carried forwards	10,482	8,764	9,240	1,187	29,673	(548,129)	(518,456)
Movement in reserves during 2014/15							
Surplus/(Deficit) on provision of services	(11,757)	-	-	-	(11,757)	-	(11,757)
Other comprehensive income and expenditure	-	-	-	-	-	(78,531)	(78,531)
Total comprehensive income and expenditure	(11,757)	-	-	-	(11,757)	(78,531)	(90,288)
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation and impairment of non-current assets	3,851	-	-	-	3,851	(3,851)	-
Amortisation of intangible assets	132	-	-	-	132	(132)	-
Capital grants applied	(2,127)	-	-	-	(2,127)	2,127	-
Provision for the repayment of debt	(2,284)	-	-	-	(2,284)	2,284	-
Capital expenditure charged against General Fund Balance	(243)	-	-	-	(243)	243	-
Amount by which the Code and the statutory pension costs differ	14,859	-	-	-	14,859	(14,859)	-
Amount by which the Code and the statutory collection fund income differ	(328)	-	-	-	(328)	328	-
	13,860	-	-	-	13,860	(13,860)	-
Net increase/decrease before transfers to earmarked reserves	2,103	-	-	-	2,103	(92,391)	(90,288)
Transfers (to)/from earmarked reserves	(474)	474	-	-	-	-	-
Transfers (to)/from capital funding reserve	(1,365)	-	1,365	-	-	-	-
Transfers (to)/from accumulated absences adjustment account	(82)	-	-	-	(82)	82	-
Net tfr (to)/from earmarked reserves	(1,921)	474	1,365	-	(82)	82	-
Increase/(Decrease) in the year	182	474	1,365	-	2,021	(92,309)	(90,288)
Balance at 31 March 2015 carried forwards	10,664	9,238	10,605	1,187	31,694	(640,438)	(608,744)

### 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 the Movement in Reserves Statement.

Notes

	2015/16			2014/15		
	Gross Expend iture £000	Gross Income £000	Net Expend iture £000	Gross Expend iture £000	Gross Income £000	Net Expend iture £000
Continuing operations:						
Community Fire Safety	5,988	(748)	5,240	7,353	(698)	6,655
Firefighting and Rescue Operations	39,595	(3,669)	35,926	40,328	(3,398)	36,930
Emergency Planning	59	-	59	59	-	59
Corporate and Democratic Core	588	-	588	531	-	531
Non Distributed Costs	150	-	150	308	-	308
Net Cost of Services	46,379	(4,417)	41,963	48,579	(4,096)	44,483
Loss on disposal of non current assets			11			-
Financing & investment income & expenditure						
8 Interest payable and similar charges			1,704			1,738
15 Pensions interest cost and expected return on pensions assets			22,019			26,700
8 Interest receivable and similar Income			(367)			(372)
Taxation and non-specific grant income						
Council tax			(27,184)			(26,260)
Revenue Support Grant			(15,210)			(18,040)
Non-domestic rates redistribution			(13,739)			(13,591)
Capital grant income			(3,002)			(2,127)
Business rates S31 grant			(480)			(469)
Council tax freeze grant income			-			(305)
Deficit/(Surplus) on the provision of services			5,714			11,757
(Surplus)/Deficit on revaluation of non-current assets			(7,021)			(1,806)
Actuarial (gains)/losses on pensions assets and liabilities			(35,461)			80,337
Other comprehensive income & expenditure			(42,482)			78,531
Total Comprehensive Income and Expenditure			<b>(36,768)</b>			<b>90,288</b>

## 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 2016 £000	At 31 March 2015 £000
	<b>Long Term Assets</b>	
6	Property, Plant & Equipment	81,134
7	Intangible Assets	299
8	Long-Term Investments	10,000
	<u>91,433</u>	<u>84,379</u>
	<b>Current Assets</b>	
	Inventories	198
9	Short Term Debtors	8,533
10	Cash & Cash Equivalents	28,562
	<u>37,293</u>	<u>35,004</u>
	<b>Current Liabilities</b>	
8	Short Term Borrowing	(253)
8	Other Short Term Liabilities	(271)
11	Short Term Creditors	(6,185)
	<u>(6,709)</u>	<u>(6,613)</u>
	<b>Long Term Liabilities</b>	
12	Provisions	(2,129)
8	Long Term Borrowing	(5,580)
13	Other Long Term Liabilities	(686,284)
	<u>(693,993)</u>	<u>(721,513)</u>
	<b>Net Liabilities</b>	
	<u>(571,976)</u>	<u>(608,744)</u>
	Revenue Reserves	(19,704)
	Capital Funding Reserve	(10,284)
	Capital Grants Unapplied Account	(2,479)
	Usable Capital Receipts Reserve	(1,501)
16	<b>Usable Reserves:</b>	<u>(33,968)</u>
	Revaluation Reserve	(28,480)
	Capital Adjustment Account	(37,868)
	Pension Reserve	671,596
	Collection Fund Adjustment Account	(65)
	Accumulated Absences Adjustment Account	761
18	<b>Unusable Reserves:</b>	<u>605,944</u>
	<b>Total Reserves</b>	<u>571,976</u>
	<u>571,976</u>	<u>608,744</u>

These Financial Statements replace the unaudited financial statements authorised at the meeting of Resources Committee of 29 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 2016 and its income and expenditure for the year then ended.

K Mattinson CPFA  
Treasurer to the Combined Fire Authority  
28 September 2016

County Councillor F DeMolfetta  
Chair of the Resources Committee  
28 September 2016



## 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	2015/16		2014/15	
	£000	£000	£000	£000
Net (deficit)/surplus on the provision of services		(5,714)		(11,757)
23 Adjustments to net (deficit)/surplus on the provision of services for non-cash movements		13,390		17,315
Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,499		1,540
<b>Net cash flows from Operating Activities</b>		<b>9,175</b>		<b>7,098</b>
<u>Investing activities</u>				
6&7 Purchase of property plant and equipment & other capital spend	(4,279)		(2,299)	
8 Decrease/(Increase) in long term deposits	-		(9,825)	
8 Decrease/(Increase) in short term deposits	-		20	
24 Receipts from investing activities	136		129	
Net cash flows from investing activities	(4,143)		(11,976)	
<u>Financing activities</u>				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(318)		(289)	
Repayment of long term borrowing	(250)		-	
24 Payments for financing activities	(1,635)		(1,669)	
Net cash flows from financing activities	(2,203)		(1,958)	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,829</b>		<b>(6,835)</b>
10 Cash and cash equivalents at the beginning of the reporting period		25,733		32,568
10 <b>Cash and cash equivalents at the end of the reporting period</b>		<b>28,562</b>		<b>25,733</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. 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 – 2015/16 and CIPFA's Service Reporting Code of Practice for 2015/16, 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 2015/16, the actuary based the valuation on a roll forwards approach.

Top up grant received during the year from Department for Communities and Local Government (CLG) 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 2015/16, the actuary based the valuation on a full individual by individual approach, and will allow for actual membership changes since the last full valuation at 31 March 2013.

In valuing the pension scheme assets for 2015/16, 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 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

## **k Non Current Assets**

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

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

i) Recognition

All capital expenditure over the value of £10,000 on the acquisition or enhancement of non current assets is capitalised in the accounts on an accruals basis, in accordance with the relevant statute, with the exception of fleet vehicles, which are capitalised providing the cost is over £5,000 and the asset life is over 5 years.

ii) Measurement

Land and buildings are revalued on a rolling five year basis by a suitably qualified surveyor. As at 31 March 2016, 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 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.

**I 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.

**m Capital Receipts**

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

**n 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.

**o 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.

**p 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).

#### **q Operating Leases**

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

#### **r Private Finance Initiative (PFI) and similar contracts**

##### Current status

The Authority has two existing PFI arrangements:

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

Revenue transactions relating to the above schemes are explained in Note 14.

##### Accounting for PFI

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

##### Recognition of assets and liabilities

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

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

##### Minimum Revenue Provision (MRP)

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

##### Unitary Payment

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



## Deductions from the Unitary Payment

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

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

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

### **s 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 Ltd. The contract relates to the provision and maintenance by PFF Lancashire Ltd 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 & Rescue NW Ltd. 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.

### **t Provisions**

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

### **u 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.

### **v 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.

**w 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.

**x 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 20 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.

**y Accounting Standards issued but not yet adopted**

For 2015/16 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010-2014:
  - IFRS 3 Business Combinations: Accounting for contingent consideration in a business combination
  - IFRS 5 Non-current Assets Held for Sale: Disposal method changes
  - IFRS 7 Financial Instruments: Changes to disclosures on servicing contracts
  - IFRS 13 Fair Value Measurement: Short term receivables and payables
  - IAS 24 Related Party Disclosures: Clarification regarding key management personnel
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation)
- Amendments to IFRS 1 Presentation of Financial Statements (Disclosure Initiative – changes to the format of the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, introduction of the Expenditure and Funding Analysis)
- Changes to the format of the Pension Fund Account and Net Assets Statement

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

**z 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 Ltd – 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 2015/16 accounts.

## 2 Fire Authority Costs

In 2015/16 Fire Authority costs amounted to £0.279m (2014/15: £0.266m), analysed as follows:

	2015/16 £000	2014/15 £000
Members allowances/expenses	124	121
Statutory officers	105	102
Statutory reports/publications	2	1
Subscriptions	11	11
Others	37	31
	<u>279</u>	<u>266</u>

## 3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,097 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2015/16 No.	2014/15 No.
£70,000 - £74,999	-	1
£65,000 - £69,999	2	1
£60,000 - £64,999	6	7
£55,000 - £59,999	12	2
£50,000 - £54,999	22	26
	<u>42</u>	<u>37</u>

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

### Senior Officers Remuneration

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

Post holder information (post title and name)	Salary	Allowances (estimated based on 2014/15 figures)	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
<b>2015/16</b>					
Chief Fire Officer – Chris Kenny	154,389	1,159	155,548	33,503	189,051
Director of Service Delivery – Justin Johnston	128,731	3,347	132,078	18,409	150,487
Director of Strategy & Planning – David Russel	121,280	3,222	124,502	17,343	141,845
Director of People & Development – Robert Warren	98,664	-	98,664	12,629	111,293
Director of Corporate Services – Keith Mattinson	98,664	157	98,821	12,629	111,450
	<u>601,728</u>	<u>7,885</u>	<u>609,613</u>	<u>94,513</u>	<u>704,126</u>

<b>Post holder information (post title and name)</b>	<b>Salary</b>	<b>Allowances Restated*</b>	<b>Total Remuneration excluding pension contributions</b>	<b>Pension contributions accrued at the standard employer rate for all senior officers</b>	<b>Total Remuneration including pension contributions</b>
<b>2014/15 – Restated*</b>					
Chief Fire Officer – Chris Kenny	150,000	1,145	151,145	31,950	183,095
Director of Service Delivery – Justin Johnston	123,131	4,183	127,314	26,227	153,541
Director of Strategy & Planning – David Russel	116,009	3,384	119,393	24,710	144,103
Director of People & Development – Robert Warren	97,687	-	97,687	12,504	110,191
Director of Corporate Services – Keith Mattinson	97,687	157	97,844	12,504	110,348
	<b>584,514</b>	<b>8,869</b>	<b>593,383</b>	<b>107,895</b>	<b>701,278</b>

\* The 2014/15 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2014/15 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)	2015/16		2014/15	
	Number of departures agreed	Total cost of exit packages in each band £000	Number of departures agreed	Total cost of exit packages in each band £000
£0 - £20,000	3	10	10	77
£20,001 - £40,000	-	-	2	59
£40,001 - £60,000	1	51	1	49
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£120,001 - £140,000	-	-	-	-
	<b>4</b>	<b>61</b>	<b>13</b>	<b>185</b>

## 4 External Auditors Fees

In 2015/16, the Fire Authority paid a total of £0.031m to its external auditors, Grant Thornton (2014/15: £0.041m), as follows:

	2015/16 £000	2014/15 £000
Audit fees – Grant Thornton	31	41

## **5 Related Parties Transactions**

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

### **Central Government**

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

### **Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 2. As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

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

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

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

### **Officers**

In 2015/16 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 (£0.465m received from the precepting authority), and council tax (£2.144m received from the precepting authority), the administration of these is strictly defined by a statutory framework.

## 6 Property, Plant & Equipment

Details on policies can be seen in Note 1, 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 2015/16 are:

Movement during the year	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Assets Held for Sale £000	Total Property, Plant & Equipment £000
<b>Cost or valuation</b>					
At 1 April 2015	66,993	19,450	16	-	86,459
Additions	863	3,049	-	-	3,912
Disposals	-	(281)	-	(325)	(606)
Reclassifications	(325)	-	-	325	-
Revaluations	5,648	-	4	-	5,652
As at 31 March 2016	73,179	22,218	20	-	95,417
<b>Depreciation and impairments</b>					
At 1 April 2015	(1,847)	(10,548)	-	-	(12,395)
Depreciation charge for 2015/16	(1,628)	(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	1,586	-	-	-	1,586
As at 31 March 2016	(2,537)	(11,747)	-	-	(14,284)
Balance sheet at 31 March 2016	70,642	10,471	20	-	81,134
Balance sheet at 31 March 2015	65,146	8,902	16	-	74,064
<b>Nature of asset holding</b>					
Owned	47,769	10,387	20	-	58,176
Finance lease	380	84	-	-	464
PFI	22,493	-	-	-	22,493
	70,642	10,471	20	-	81,133

On 31 March 2016 the Authority undertook a revaluation review on approximately one fifth of its land and buildings, and in addition carried out an indexation exercise on the remainder, which resulted in a net revaluation gain of £6.590m (2014/15: net gain of £1.267m).

The comparative figures detailing the movement during 2014/15:

<b>Movement during the year</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or valuation</b>				
At 1 April 2014	65,624	19,613	16	85,253
Additions	1,412	938	-	2,350
Disposals	-	(1,101)	-	(1,101)
Derecognition - other	(2,800)	-	-	(2,800)
Revaluations	2,757	-	-	2,757
As at 31 March 2015	66,993	19,450	16	86,459
<b>Depreciation and impairments</b>				
At 1 April 2014	(1,452)	(10,044)	-	(11,496)
Depreciation charge for 2014/15	(1,707)	(1,605)	-	(3,312)
Impairment losses recognised in the Revaluation Reserve	(951)	-	-	(951)
Impairment losses recognised in the Deficit on the Provision of Services	(539)	-	-	(539)
Disposals	-	1,101	-	1,101
Derecognition - other	2,800	-	-	2,800
As at 31 March 2015	(1,847)	(10,548)	-	(12,395)
Balance sheet at 31 March 2015	65,146	8,902	16	74,064
Balance sheet at 31 March 2014	64,172	9,569	16	73,757
<b>Nature of asset holding</b>				
Owned	43,394	8,757	16	52,167
Finance lease	380	145	-	525
PFI	21,372	-	-	21,372
	65,146	8,902	16	74,064

### 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 2015/16 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.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	15,722	18,006
Capital investment:		
Property, Plant & Equipment	3,912	2,350
Intangible assets	118	19
Sources of Finance:		
Government Grant	(523)	(2,127)
Capital Reserves	(552)	-
Earmarked Reserves	(105)	-
Revenue contributions to capital	(2,850)	(243)
MRP	(485)	(2,284)
Closing Capital Financing Requirement	<u>15,237</u>	<u>15,722</u>
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(485)	(2,284)
	<u>(485)</u>	<u>(2,284)</u>

## Details of Assets Held

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

	2015/16	2014/15
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	40
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 2016 is £1.453m (2014/15: £1.594m).



## 7 Intangible Assets

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

<b>Movement during</b>	2015/16 £000	2014/15 £000
<b>Cost or valuation</b>		
At 1 April	1,272	1,253
Additions	118	19
As at 31 March	1,391	1,272
<b>Amortisation &amp; impairment</b>		
At 1 April	(958)	(826)
Amortisation charge for the year	(134)	(132)
As at 31 March	(1,092)	(958)
Balance sheet at 31 March	299	314
Balance sheet at 1 April	314	427

## 8 Financial Instruments

### Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<u>Investments</u>				
Loans and receivables	10,000	10,000	-	-
<u>Debtors</u>				
Financial assets carried at contract amounts	-	-	473	847
<u>Borrowings</u>				
PWLB Borrowings at amortised cost	5,580	5,830	253	253
<u>Other Long Term Liabilities</u>				
PFI and finance lease liabilities	14,688	14,958	271	318
<u>Creditors</u>				
Financial liabilities carried at amortised cost	-	-	2,229	3,075

## Income, Expense, Gains and Losses

	Financial assets: Loans and receivables			
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Interest expense	1,704	1,738	-	-
Total expense in Deficit on the Provision of Services	1,704	1,738	-	-
Interest income	-	-	(367)	(372)
Total income in Deficit on the Provision of Services	-	-	(367)	(372)
Net gain/(loss) for the year	1,704	1,738	(367)	(372)

## 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 2016 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 values calculated are as follows:

	31 March 2016		31 March 2015	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	5,834	6,913	6,083	7,741
Cash deposits invested and classed as loans and receivables	-	-	-	-
PFI Liabilities	14,782	14,728	15,024	16,112

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2016 is £5.764 million (2014/15: £6.014m) and it is due for repayment as shown in the following table:

	2015/16	2014/15
	£000	£000
Within one year	250	250
Within two to five years	1,264	1,240
Within six to ten years	1,920	1,864
Over 10 years	2,330	2,660
	<u>5,764</u>	<u>6,014</u>

## 9 Debtors

	2015/16	2014/15
	£000	£000
Central government bodies	226	178
Other local authorities	4,285	3,277
Public corporations	330	92
Other entities and individuals	3,692	5,492
	<u>8,533</u>	<u>9,039</u>

## 10 Cash & Cash Equivalents

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

	2015/16	2014/15
	£000	£000
Cash held by the Authority	46	43
Bank current accounts	28,516	25,690
	<u>28,562</u>	<u>25,733</u>

Cash investments are balances placed with Lancashire Country Council. Interest on these balances is paid to the Authority. The investments have an amortised cost at 31 March 2016 equal to their nominal value.

## 11 Creditors

	2015/16	2014/15
	£000	£000
Central government bodies	865	759
Other local authorities	3,108	2,307
Other entities and individuals	2,212	2,976
	<u>6,185</u>	<u>6,042</u>

## 12 Provisions

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

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

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

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

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

	Insurance Liabilities		Part time workers		Business rates appeals		Total	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance at 1 April	1,156	1,155	25	26	720	249	1,901	1,430
Amounts utilised	(37)	(49)	(3)	(1)	-	-	(40)	(50)
Unused amounts reversed	(371)	(356)	-	-	-	-	(371)	(356)
Additional provision	399	406	-	-	240	471	639	877
Balance at 31 March	1,147	1,156	22	25	960	720	2,129	1,901

## 13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2015/16 £000	2014/15 £000
Finance Lease Liability	89	91
PFI Liability (see note 14)	14,519	14,782
PFI Contractor Loan (see note 14)	80	85
Pension Liability (see note 15)	671,596	698,824
	<u>686,284</u>	<u>713,782</u>

## 14 PFI Schemes

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

### PFF Lancashire Ltd

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 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 Ltd 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 2016 the outstanding loan was £0.085m (2014/15: £0.090m).

### Balfour Beatty Fire and Rescue NW Ltd

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

### All PFI Schemes

All PFI stations are recognised on the Authority's Balance Sheet from the date of initial handover. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant & Equipment balance in note 6.

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

Payments remaining to be made under both PFI contracts, and Government Subsidies to be received at 31 March 2016 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	630	264	1,406	2,300	1,734
Payable within 2-5 years	2,690	1,317	5,399	9,406	6,935
Payable within 6-10 years	3,800	2,439	6,198	12,437	8,668
Payable within 11-15 years	4,357	3,926	4,806	13,089	8,668
Payable within 16-20 years	3,823	4,521	2,822	11,166	7,201
Payable within 21-25 years	1,624	2,316	544	4,484	2,868
<b>Total</b>	<b>16,924</b>	<b>14,783</b>	<b>21,175</b>	<b>52,882</b>	<b>36,074</b>

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

	2015/16 £000	2014/15 £000
Balance outstanding at the start of the year	15,024	15,240
Capital expenditure incurred in the year	-	-
Payments during the year	(242)	(216)
Balance outstanding at year end	14,782	15,024

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

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

The Authority participates in two pension schemes:

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

### Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost of Services:</b>				
• Current service cost	1,080	842	10,504	9,886
• Administrative expenses	17	17	-	-
• Past service cost	60	375	-	-
	<u>1,157</u>	<u>1,234</u>	<u>10,504</u>	<u>9,886</u>
<b>Financing and Investment Income and Expenditure:</b>				
• Interest cost	1,650	1,826	21,657	26,356
• Interest on scheme assets	(1,288)	(1,482)	-	-
	<u>362</u>	<u>344</u>	<u>21,657</u>	<u>26,356</u>
<b>Total post employment benefit charged to the deficit on provision of services</b>	<b>1,519</b>	<b>1,578</b>	<b>32,161</b>	<b>36,242</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>				
• Actuarial (gains) and losses	(3,640)	4,832	(31,821)	75,505
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,121)</b>	<b>6,410</b>	<b>340</b>	<b>111,747</b>
<b>Movement in reserves statement</b>				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	6,164	(3,315)	21,064	(91,881)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	(4,043)	(3,095)	-	-
Retirement benefits payable to pensioners	-	-	(21,404)	(19,866)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

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

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

**Retirement benefits payable to pensioners** – the net payments made in respect of the Firefighter pension scheme. Note, the fund also received a top up grant of £14.099m (2014/15: £14.615m) 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 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	(50,503)	(41,224)	(687,420)	(595,539)
Current service cost	(1,080)	(842)	(10,504)	(9,886)
Interest on liabilities	(1,650)	(1,826)	(21,657)	(26,356)
Contributions by scheme participants	(276)	(281)	(3,562)	(3,222)
Remeasurements (liabilities):				
Experience (gain)/loss	-	-	-	27,377
Gain/(Loss) on financial assumptions	3,046	(7,511)	31,821	(102,882)
Gain/(Loss) on demographic assumptions	-	-	-	-
Benefits/transfers paid	1,256	1,556	24,966	23,088
Past service cost	(60)	(375)	-	-
Closing balance at 31 March	(49,267)	(50,503)	(666,356)	(687,420)



Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	39,099	33,135	-	-
Interest on scheme assets	1,288	1,482	-	-
Remeasurements (assets)	594	2,679	-	-
Administrative expenses	(17)	(17)	-	-
Employer contributions	4,043	3,095	21,404	19,866
Contributions by scheme participants	276	281	3,562	3,222
Benefits paid	(1,256)	(1,556)	(24,966)	(23,088)
Closing balance at 31 March	44,027	39,099	-	-

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

The actual return on scheme assets in the year was a gain of £1.883m (2014/15: gain of £4.161m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is a gain of £0.163m (2014/15: gain of £0.199m).

### Scheme history

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(49,267)	(50,503)	(41,224)	(46,193)	(38,157)
Firefighters Pension Scheme	(666,356)	(687,420)	(595,539)	(596,655)	(515,542)
Fair value of assets in LGPS	44,027	39,099	33,135	32,097	27,178
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(5,240)	(11,404)	(8,089)	(14,096)	(10,979)
Firefighters Pension Scheme	(666,356)	(687,420)	(595,539)	(596,655)	(515,542)
Total	(671,596)	(698,824)	(603,628)	(610,751)	(526,521)

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, £671.596m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £573.433m (2014/15: £608.744m). However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- The deficit on the Local Government Pensions scheme will be made good by additional contributions, as assessed by the scheme actuary, throughout the agreed deficit recovery period, which is currently set at 19 years. In addition, during 2014/15 and 2015/16 the Authority made additional payments of £2m and £3.2m respectively to offset the deficit, shown within the employer contributions of £3.095m and £4.043m in the table above and on page 44. This should reduce future deficit recovery payments after the next valuation.
- 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 £000	Firefighters' Pension Scheme £000	Total £000
Estimated contributions	798	4,062	4,860

### 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. Both the Firefighters' Scheme and the Local Government Fund liabilities have been assessed by Mercer Resource Consulting Ltd, an independent firm of actuaries. Estimates for the LGPS are based on a full valuation as at 31 March 2016. 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 principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	22.9	23.2	23.1
Women	25.6	25.4	25.8	25.6
Longevity at 65 for future pensioners:				
Men	25.2	25.1	25.7	25.6
Women	27.9	27.8	28.2	28.1
Rate of CPI inflation	2.00%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.50%	3.70%	3.50%	3.70%
Rate of increase in pensions	2.00%	2.00%	2.00%	2.00%
Rate for discounting scheme liabilities	3.60%	3.30%	3.50%	3.20%
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 2016		Assets at 31 March 2015	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	15,132	34.4	13,458	34.4
Bonds	Y	1,782	4.0	1,770	4.5
Property	N	4,232	9.6	3,682	9.4
Cash/Liquidity	N	1,514	3.4	1,894	4.8
Other	N	21,367	48.5	18,295	46.8
		<u>44,027</u>	<u>100.0</u>	<u>39,099</u>	<u>100.0</u>

### History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016:

<b>Local Government Pensions Scheme (LGPS):</b>	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	1.3	6.9	(2.0)	8.9	(4.7)
Gains and losses on liabilities	(6.2)	14.9	(18.5)	11.8	-
<b>Firefighters Pension Scheme:</b>	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(4.8)	11.0	(3.3)	10.1	-
<b>Total of LGPS and Fire Pension Schemes:</b>	2015/16	2014/15	2013/14	2012/13 Restated	2011/12
	%	%	%	%	%
Experience Gains and losses on assets	1.3	6.9	(2.0)	8.9	(4.7)
Gains and losses on liabilities	(4.9)	11.2	(4.2)	10.2	-

## 16 Usable Reserves

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

	2015/16		2014/15	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(10,186)		(10,664)
DFM Schemes	(414)		(457)	
Other Earmarked Reserves	(5,664)		(5,488)	
PFI Equalisation	<u>(3,440)</u>		<u>(3,293)</u>	
Total Earmarked Reserves		(9,518)		(9,238)
Total Revenue Reserves		<u>(19,704)</u>		<u>(19,902)</u>
Capital Reserves:				
Capital Funding Reserve		(10,284)		(10,605)
Capital Grants Unapplied		(2,479)		-
Usable Capital Receipts		(1,501)		(1,187)
Total Usable Reserves		<u>(33,968)</u>		<u>(31,694)</u>

## 17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.14	Transfers in 2014/15	Transfers out 2014/15	Balance at 31.3.15	Transfers in 2015/16	Transfers out 2015/16	Balance at 31.3.16
General fund	(10,482)	(182)	-	(10,664)	-	478	(10,186)
DFM Schemes	(731)	(9)	283	(457)	(11)	54	(414)
Other Earmarked Reserves	(4,952)	(1,016)	480	(5,488)	(1,286)	1,110	(5,664)
PFI Equalisation Accounts	(3,081)	(212)	-	(3,293)	(147)	-	(3,440)
Total Earmarked Reserves	(8,764)	(1,237)	763	(9,238)	(1,444)	1,164	(9,518)
Capital funding reserve	(9,240)	(1,365)	-	(10,605)	(232)	553	(10,284)
Capital grants unapplied	-	-	-	-	(2,479)	-	(2,479)
Usable capital receipts	(1,187)	-	-	(1,187)	(314)	-	(1,501)
Total Usable Reserves	<u>(29,673)</u>	<u>(2,784)</u>	<u>763</u>	<u>(31,694)</u>	<u>(4,469)</u>	<u>2,195</u>	<u>(33,968)</u>

## 18 Unusable Reserves

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

	2015/16 £000	2014/15 £000
Revaluation Reserve	(28,480)	(22,356)
Capital Adjustment Account	(37,868)	(36,358)
Pensions Reserve	671,596	698,824
Collection Fund Adjustment Account	(65)	(422)
Accumulated Absences Adjustment Account	761	750
Total Unusable Reserves	<u>605,944</u>	<u>640,438</u>

### Revaluation Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	(22,356)	(21,470)
Upward revaluation of assets	(7,238)	(2,757)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	122	952
Difference between fair value depreciation and historical cost depreciation	897	919
Amount written off to the Capital Adjustment Account	95	-
	<u>(28,480)</u>	<u>(22,356)</u>

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

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

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

### Capital Adjustment Account

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

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.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1 April		(36,358)		(34,768)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	2,210		2,393	
• Revaluation losses on Property, Plant & Equipment	431		539	
• Amortisation of intangible assets	134		132	
		2,775		3,064
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		3,005		3,064
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	(523)		(2,127)	
• Statutory provision for financing of capital investment charged against General Fund	(323)		(399)	
• Voluntary provision for financing of capital investment charged against General Fund	(162)		(1,885)	
• Use of capital reserves to fund expenditure	(552)		-	
• Use of earmarked reserves to fund expenditure	(105)		-	
• Capital expenditure charged to General Fund Balance	(2,850)		(243)	
		(4,515)		(4,654)
Balance as at 31 March		<u>(37,868)</u>		<u>(36,358)</u>

## Pensions Reserve

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

	2015/16	2014/15
	£000	£000
Balance at 1 April	698,824	603,628
Actuarial (gains) or losses on pensions assets and liabilities	(35,461)	80,337
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	22,096	27,092
Employers pension contributions and direct payments to pensioners payable in the year	(13,863)	(12,233)
	<u>671,596</u>	<u>698,824</u>

## Collection Fund Adjustment Account

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

	Council Tax		Business Rates		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(682)	(255)	260	161	(422)	(93)
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	(110)	(427)	-	-	(110)	(427)
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	-	-	467	99	467	99
Balance at 31 March	<u>(792)</u>	<u>(682)</u>	<u>727</u>	<u>260</u>	<u>(65)</u>	<u>(422)</u>

## Accumulated Absences Adjustment Account

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

	2015/16	2014/15
	£000	£000
Balance at 1 April	750	832
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11	(82)
Balance at 31 March	<u>761</u>	<u>750</u>

## 19 Contingent Liability

### Municipal Mutual Insurance

Municipal Mutual Insurance 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 Contributions Holiday

Following a recent challenge, the Department for Communities and Local Government (DCLG) have agreed that members of the firefighter 1992 pension scheme employed before age 20 who served over 30 years before reaching the age of 50 may receive a refund of contributions. The guidance on how to calculate this will be published following the completion of a consultation during Summer 2016, with amendments to the relevant pensions regulations expected in Autumn 2016. It is anticipated that these additional costs to the Firefighters Pension Scheme will be met by additional government grant, meaning there is no overall cost to the Authority. On this basis, therefore, we are unable to include an estimate of the costs within the Fire-Fighters Pension Fund Statement.



### Firefighters Pension Scheme Transitional protection arrangements

In July 2015, the 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. Although there is presently no indication that this claim will be successful, the Firefighters Pension Scheme would meet any additional costs, rather than them being an additional cost to the Authority.

## **20 Post Balance Sheet Events**

As at the date the Treasurer signed the accounts, 29 June 2016, there were no post balance sheet events to report.

## **21 Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

### **Credit Risk**

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

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

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

### **Trade debtor credit risk**

The Authority does not generally allow credit for customers, such that £0.032m of the £0.080m 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 £0.025m and which is considered sufficient for this purpose.

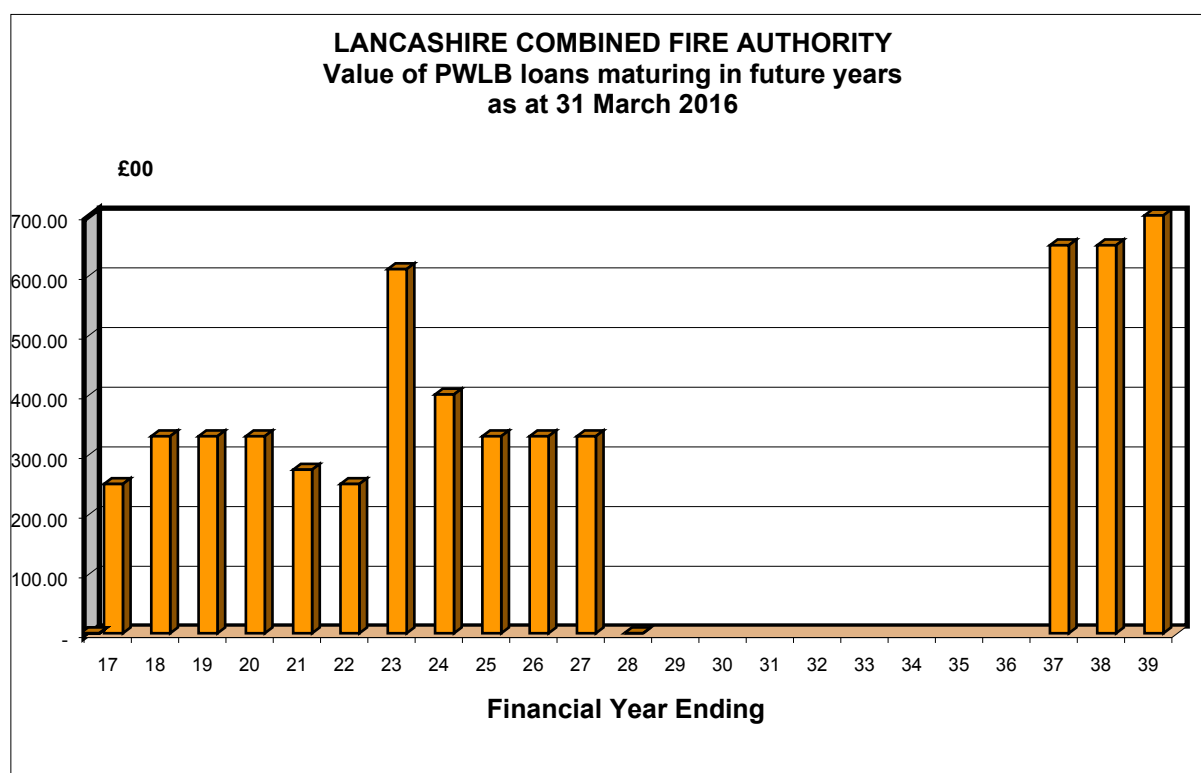
The past due amount can be analysed by age as follows:

	2015/16 £000	2014/15 £000
0 to 30 days	48	80
31 to 60 days	4	57
61 to 90 days	2	2
91 to 180 days	10	-
Over 180 days	16	6
	<u>80</u>	<u>145</u>

## Liquidity Risk

The Authority has a comprehensive cash flow management system (administered by Lancashire County Council's Treasury Management Team) that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from Lancashire County Council at current market rates. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. 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 £33.1 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 £331,000 and a 1% fall would give a reduction of the same amount.

## **22 Local Authority Controlled Company – NW Fire Control Limited**

NW Fire Control 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 Fire Control Ltd. 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. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2015/16 in respect of NW Fire Control Ltd. 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 2015/16 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 Fire Control Ltd
- 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 Fire Control Ltd:

Key Information	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Total assets less Current Liabilities	239	217
Net assets*	(822)	(2,202)
(Loss)/Profits Before Taxation	(240)	2
(Loss) After Taxation	(246)	(5)
Debtor Balance (LFRS)	278	-
Creditor Balance (LFRS)	-	11
Invoices raised by NW Fire Control to LFRS	1,050	755
Invoices raised by LFRS to NW Fire Control	34	62

\*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 2016/17 are included in the above figures.

Transactions between LFRS and NW Fire Control Ltd include Invoices Raised by NW Fire Control to LFRS for the Control Room service and use of facilities in the building.

Invoices raised by LFRS to NW Fire Control Ltd include charges for staff seconded to NW Fire Control. The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2016 for the final audited 2015/16 accounts.

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

	2015/16 £000	2014/15 £000
Depreciation	3,107	3,312
Impairment & downwards valuations	431	539
Amortisation	134	132
Increase/(decrease) in provisions	228	471
Increase/(decrease) in creditors	391	(1,170)
(Increase)/decrease in debtors	507	(873)
(Increase)/decrease in stock	34	46
Movement in pension liability	8,233	14,859
Net book value of fixed assets sold	325	-
	<u>13,390</u>	<u>17,315</u>

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

	2015/16 £000	2014/15 £000
Interest received	136	129
Interest paid	(1,635)	(1,669)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy note 1, sections p and r)

## 25 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to Fire fighting and Fire Safety.

The income and expenditure of the Authority's principal cost area - fire fighting and fire safety recorded in the budget reports for the year is as follows:

	Fire Fighting and Fire Safety Analysis	
	2015/16 £000	2014/15 £000
Fees, charges & other service income	(4,405)	(4,550)
Interest and investment income	(16)	(21)
Employee expenses	32,291	35,762
Other service expenses	5,370	5,584
Interest payable	1,420	1,434
Capital charges	187	244
Transfer to/(from) reserves	144	(138)
Total expenditure	39,413	42,885
Net expenditure	34,992	38,314

### Reconciliation of Fire Fighting and Fire Safety Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of fire fighting and fire safety income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Net expenditure in the Fire Fighting and Fire Safety Analysis	34,992	38,314
Net expenditure of support services not included in the Analysis	(34,515)	(38,496)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,588	12,404
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(351)	(465)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>5,714</b>	<b>11,757</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of fire fighting and fire safety income and expenditure relate to a subjective analysis of the (Surplus)/Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16

	Fire fighting and fire safety Analysis £000	Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Fees, charges and other service income	(4,405)	(12)	-	-	(4,417)
Interest and investment income	(16)	(351)	-	-	(367)
Income from council tax	-	(27,541)	357	-	(27,184)
Government grants	-	(29,429)	(3,002)	-	(32,431)
<b>Total Income</b>	<b>(4,421)</b>	<b>(57,333)</b>	<b>(2,645)</b>	<b>-</b>	<b>(64,399)</b>
Employee expenses	32,291	10,319	8,233	-	50,843
Other service expenses	5,370	8,524	-	-	13,894
Depreciation, amortisation and impairment	-	3,672	-	-	3,672
Interest payments	1,420	284	-	-	1,704
Mitigation of depreciation, amortisation and impairment	-	(3,588)	-	3,588	-
Capital charges	187	3,148	-	(3,335)	-
Transfers to/(from) reserves	144	460	-	(604)	-
<b>Total Expenditure</b>	<b>39,413</b>	<b>22,818</b>	<b>8,233</b>	<b>(351)</b>	<b>70,113</b>
<b>Surplus on the provision of services</b>	<b>34,992</b>	<b>(34,515)</b>	<b>5,588</b>	<b>(351)</b>	<b>5,714</b>

	Fire fighting and fire safety Analysis £000	Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Fees, charges and other service income	(4,550)	454	-	-	(4,096)
Interest and investment income	(21)	(351)	-	-	(372)
Income from council tax	-	(25,931)	(328)	-	(26,260)
Government grants	-	(32,405)	(2,127)	-	(34,532)
Total Income	(4,571)	(58,233)	(2,455)	-	(65,260)
Employee expenses	35,762	7,307	14,859	-	57,927
Other service expenses	5,584	7,785	-	-	13,369
Depreciation, amortisation and impairment	-	3,983	-	-	3,983
Interest payments	1,434	304	-	-	1,738
Mitigation of depreciation, amortisation and impairment	-	(3,983)	-	3,983	-
Capital charges	244	3,648	-	(3,892)	-
Transfers to/(from) reserves	(138)	694	-	(556)	-
Total Expenditure	42,885	19,737	14,859	(465)	77,017
Surplus on the provision of services	38,314	(38,496)	12,404	(465)	11,757

## 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 2015 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>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.</p>
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.	<p>The Authority uses the DCF model to measure the fair value of its PFI liabilities.</p> <p>Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.5m.</p>
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. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured as follows:</p> <p>A 0.1% increase in these assumptions has the following effect on the net pension liability:</p> <ul style="list-style-type: none"> <li>• Discount rate – decrease of £13.3m</li> <li>• Inflation rate – increase of £13.6m</li> <li>• Pay growth – increase of £3.1m</li> </ul> <p>A 1 year increase in life expectancy will increase the net pension liability by £14.8m.</p>

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



## FIREFIGHTERS' PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

<b>Fund Account</b>	2015/16 Total £000	2014/15 Total £000
<b>Income to the fund</b>		
<b>Contributions receivable:</b>		
- from employer		
- normal contributions	(4,086)	(4,478)
- other contributions	(186)	(203)
- from members	(3,594)	(3,216)
<b>Transfers in:</b>		
- individual transfers from other schemes	(17)	-
<b>Total Income to the Fund</b>	<b>(7,883)</b>	<b>(7,897)</b>
<b>Spending by the fund</b>		
<b>Benefits payable:</b>		
- Pension payments	17,492	16,535
- Commutations of pensions and lump-sum retirement benefits	6,634	4,721
<b>Transfers out:</b>		
- individual transfers out to other schemes	197	1,256
<b>Total Spending by the fund</b>	<b>24,323</b>	<b>22,512</b>
<b>Net amount receivable for the year before top up grant receivable from central government</b>	<b>16,440</b>	<b>14,615</b>
Top up grant receivable from central government	(16,440)	(14,615)
<b>Net amount receivable for the year</b>	<b>-</b>	<b>-</b>
<b>Net Assets Statement</b>		
	2015/16 £000	2014/15 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(3,377)	(4,752)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	3,377	4,752
<b>Net current assets at the end of the year</b>	<b>-</b>	<b>-</b>

## 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 2016 the Authority is owed £3.377m (2014/15: £4.752m) by the CLG in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long term pension obligations can be found in the Authority's main statements, and also note 15 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

The note has been prepared in line with general accounting policies set in Note 1 – accounting policies, in particular section f.

### Contribution Rates

Under the firefighters pension regulations the contribution rates during 2015/16 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. One ill health retirement was recognised during 2015/16, and five in 2014/15.

### Benefits Paid

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

### Communities and Local Government (CLG) Grant

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

### Future Liabilities

The firefighters pension fund financial statements do not take account of liabilities to pay pensions and other benefits after the period end, however details of the firefighters pension fund long term pension obligations are recognised in the Authorities financial statements, details can be found in note 15.

## GLOSSARY OF TERMS

### **Accrual**

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

### **Amortised cost**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Comprehensive Income & Expenditure Statement**

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

### **Creditors**

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

### **Debtors**

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

### **Fair Value**

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

### **Financial Instrument**

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

**Financial Year**

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

**Financing Charges**

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

**Premiums and Discounts**

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

**Public Works Loan Board (PWLB)**

A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Revenue Contribution to Capital Outlay**

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

**Revenue Expenditure**

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