

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 29 May 2019

**CORE FINANCIAL STATEMENT 2018/19
(Appendices 1, 2, 3, 4 and 5 refer)**

Contact for further information:

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Executive Summary

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

Members should note that the 2018/19 core statements presented assume that the Authority's 25% share of North West Fire Control Ltd year end position has not changed from 2017/18 to 2018/19 (this will be updated for the final version of the accounts).

Recommendation

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

Information

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

Members should note that the 2018/19 core statements presented assume that the Authority's 25% share of North West Fire Control Ltd year end position has not changed from 2017/18 to 2018/19 (this will be updated for the final version of the accounts).

Narrative Report

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

Comprehensive Income and Expenditure Account

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

The main points to note are: -

	2018/19	2017/18	
Service Delivery	27,513	27,408	The cost of Service Delivery shows a marginal increase when compared with the previous year, attributable to the net cost of the Winter Hill incident.
Strategy & Planning	7,680	7,466	The cost of Strategy & Planning shows an increase when compared with the previous year, due primarily to pay awards and inflation.
People & Development	1,604	1,304	The cost of People & Development shows an increase when compared with the previous year, mainly due to the underspends during 1718.
Corporate Services	4,212	4,166	The cost of Corporate Services is broadly comparable with last year.
Fire Fighters Pensions	1,242	1,138	These are the ongoing pension costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	4,239	4,645	This heading includes all capital financing charges, refunds made in respect of the LGPS surplus, and depreciation and impairment charges made in respect of assets. The reduction is attributable to changes associated with the adjustment required in respect of pension liabilities under IAS 19.
Gain On Disposals Of Fixed Assets	(68)	(13)	This relates to the sale of surplus vehicles.
Interest Payable	1,479	1,576	The level of interest payable in respect of current loans has fallen due to the early repayment of £3.2m of loans during 1718. In addition to this interest charges associated with the PFI scheme and finance leases totalled £1.4m, in line with the previous years' charges.

Pension Interest Cost And Expected Return On Assets	20,253	21,005	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme is unfunded there is no increase in asset value to offset the increase in scheme costs resulting in a £20.3m charge to the Income and Expenditure Account.
Interest Receivable	(358)	(267)	The level of interest earned on investments has increased as we have placed several fixed term investments during the year, and also the call account interest rate increased.
Council Tax	(28,521)	(28,233)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Revenue Support Grant	(9,262)	(10,659)	The level of Revenue Support Grant allocated to the Authority by the Government, the reduction reflecting the cut in Government funding
Non-Domestic Rates Redistribution	(15,485)	(14,605)	Amounts raised through non domestic rates, including the Authority's element of business rates collection fund surplus accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part of the localisation of business rates. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Business rates S31 grant	(946)	(511)	This grant is allocated to the Authority by the Government, and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Deficit On The Provision Of Services	13,584	14,421	The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months, and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pensions schemes. As such this does not show the actual surplus when comparing spend against council tax.

(Surplus)/Deficit On Revaluation Of Non-Current Assets	(4,539)	(5,167)	This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.
Actuarial (Gains)/ Losses On Pensions Assets And Liabilities	19,849	(10,730)	This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.
Total Comprehensive Income And Expenditure	28,893	(1,476)	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

In order to aid understanding the following table shows the comparison between the revenue budget position, as set out in the Year End Revenue Outturn report, and the Total Comprehensive Income and Expenditure figure set out above:-

	£m
Revenue Outturn	(0.435)
Earmarked reserves utilised/provided for in year	0.102
Accounting for pensions under IAS19	11.228
Revenue Contributions to Capital Outlay	(2.030)
Adjustments between accounting basis and funding basis under regulations	4.719
Deficit on the provision of services	13.584
Surplus on revaluation of non-current assets	(4,539)
Actuarial loss on pensions assets and liabilities	19,849
Total Comprehensive Income and Expenditure	28,893

Movement in Reserves Statement

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

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

The main points in respect of are:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	35,230	(720,870)	(685,640)	
Deficit on the provision of service	(13,584)	-	(13,584)	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. As set out earlier it is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report.
Other Comprehensive Income And Expenditure	-	(15,310)	(15,310)	This relates to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities
Charges for depreciation and impairment of non-current assets	4,258	(4,258)	-	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year
Amortisation of intangible assets	33	(33)	-	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Amount by which the Code and the statutory pension costs differ	11,228	(11,228)	-	This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.

Amount by which collection fund income in the comprehensive income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements	1,046	(1,046)	-	This shows the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the amount collection authorities have actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate, the deficit in 2018/19 reflecting the fact that authorities have collected less than anticipated.
Provision for the repayment of debt	(337)	337	-	This is the charge made against the revenue budget to reduce future borrowing requirements, and includes an element relating to debt associated with PFI and finance leases
Capital expenditure charged against General Fund Balance	(2,030)	2,030	-	This is the level of capital expenditure which has been funded from contributions from the 2018/19 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Net increase/decrease before transfers to earmarked reserves	614	(29,507)	(28,893)	This shows the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from earmarked reserves	(28)	28	-	These represents the transfers to specific earmarked reserves referred to in the Year End Usable Reserves and Provisions Outturn report.
Transfers (to)/from capital funding reserves	(352)	352	-	These represents the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.

Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(49)	49	-	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the increase in the amount of leave owing to staff as at year end.
Increase / Decrease in the year	185	(29,079)	(28,893)	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don't affect council tax and any transfers to/from earmarked reserves and ties into the overall change in Usable reserves included in the Year End Usable Reserves and Provisions Outturn report
Balance at 31 March	35,415	(749,949)	(714,533)	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie in to the values shown in the Year End Usable Reserves and Provisions Outturn report.

Balance Sheet

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

The main points to note are: -

	2018/19	2017/18	
Long Term Assets			
Property, Plant & Equipment	96,678	93,794	The value of property, plant & equipment has increased by £2.9m, due to the level of capital expenditure (£2.4m as shown in the Year End Capital Outturn report) and the net revaluation gains of £4.1m compared with depreciation charges of £3.8m.
Intangible assets	439	472	Intangible assets are assets which do not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	5,000	5,000	The Authority holds one investment with Local Government bodies which is classed as long term investments, i.e. over 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Current Assets			
Inventories	238	228	The value of stock held has remained broadly in line with last year.
Short-Term Investments	15,000	-	The Authority holds three investments with Local Government bodies which are classed as short term investments, i.e. under 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Short-Term Debtors	9,654	10,760	Debtors represent monies owed to the Authority on 31st March 2019. In order to improve cash flow this figure should be as low as possible, however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The level of debtors at the year-end has remained consistent, with the main debt relating to Council Tax, Business Rates (which represent our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due during July 2019.
Cash & Cash Equivalents	14,865	28,768	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report. The reduction reflects the placing of several short term investments during the year.

Current Liabilities			
Other Short-Term Liabilities	(384)	(329)	This relates to short term liabilities in respect of the Authority's PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short term element of finance leases.
Short-Term Creditors	(7,607)	(6,998)	This figure represents the amount of money we owe to other bodies at 31st March 2019. The overall balance is broadly in line with last year.
Long Term Liabilities			
Provisions	(1,282)	(1,084)	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the potential costs associated with Retained Fire-fighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms, and also the Authority's share of billing authorities business rates outstanding appeals. The increase largely relates to amounts set aside by billing authority's in relation to our share of their Business Rates appeals.
Long-Term Borrowing	(2,000)	(2,000)	This represents the amount of long term debt that the Authority holds which does not mature within the next 12 months. The balance of £2.0m is due to mature between 2035-2037.
Other Long-Term Liabilities	(848,417)	(814,251)	This majority of this relates to adjustments required under IAS 19, and shows the extent to which the Authority's liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £831m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; <ul style="list-style-type: none"> • PFF Lancashire Ltd for the provision of two fire stations, • Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to

			provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to an outstanding finance lease.
Total Assets Less Liabilities	(714,533)	(685,640)	

Financed By			
Usable Reserves:			
Revenue Reserves	(16,252)	(15,783)	This is the level of reserves that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves. The increase in year represents the revenue budget surplus for the year, as referred to in the Year End Revenue Outturn report, and the Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,393)	(17,745)	This reserve holds £17.4m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant Unapplied	(121)	(121)	The capital grant unapplied relates to the Authority's share of the NWFC end of year balances, and as such, the 2018/19 balances have not been updated for changes. This will be done prior to the final version being approved.
Usable Capital Receipts Reserve	(1,649)	(1,581)	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. To class as capital receipts the value of the sale must exceed £10,000. The increase in value representing the sale proceeds vehicles, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Unusable Reserves:			
Revaluation Reserve	(43,925)	(40,862)	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.

Capital Adjustment Account	(38,573)	(38,641)	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Collection Fund Adjustment Account	342	(704)	This account reflects the net effect of the adjustments required to show our share of each billing authority's council tax and business rates debtors and creditors at year end, in our case this shows a deficit of £342k.
Accumulated Absences Adjustment Account	764	813	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position.
Pensions Reserve	831,341	799,479	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
	714,533	685,640	

Cash Flow Statement

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

The main points to note are:-

	2018/19	2017/18	
Net Cash Flows Arising From Operating Activities	5,224	4,604	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc., offset by payments made in respect of employee costs and non-pay costs etc.
Investing Activities	(17,339)	221	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as placing £15m on short term deposit, and £2.4m of expenditure on capital assets.

Financing Activities	(1,789)	(5,402)	This relates to the repayment of long term debt, including that associated with PFI and finance leases.
Net increase / (decrease) in cash and cash equivalents	(13,903)	(578)	This shows the movement in the net cash immediately available within the Authority in a call account with LCC. This shows a significant reduction in year, reflecting the short term investments placed during the year, and ties in to the figure included in the Treasury Management Outturn report,

Signing of the Statement of Accounts

The unaudited Statement of Accounts will be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2019.

This will be subject to review by the Authority's external auditors, Grant Thornton, which is scheduled to take place in June and July. A further report will be presented to the Audit Committee in July, following completion of the external audit. At this meeting the Chair of the Audit Committee will be asked to sign the final statement of accounts, as well as the Treasurer. Following which a final audited set of accounts will be presented to the Resources Committee for information.

Financial Implications

As outlined in the report.

Business Risk Implications

The Statement of Accounts sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

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

Paper	Date	Contact
SORP and Guidance	February 2019	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	May 2019	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

NARRATIVE REPORT

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

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

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2018/19
- how these services were paid for
- what assets the Fire Authority owned at the end of the financial year, and
- what was owed, to and by, the Fire Authority at the end of the financial year.

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

Contents of this Statement of Accounts

This Statement of Accounts covers the financial year ended on 31 March 2019 (referred to as 2018/19). It has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The Statement contains:

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

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority – The Auditor's report to the CFA on the accounts for 2018/19, which are set out in the sections shown below.

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

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

Movement In Reserves Statement – This statement shows the movement in year on the different reserves held by the Fire Authority analysed between usable and

other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Fire Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2019, including the level of balances and reserves at the Fire Authority's disposal, its long term indebtedness and the value of the assets held by the Fire Authority.

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

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

Review of the Year

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

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

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

Recruitment statistics for the 2018/19 financial year will be updated in due course once available.

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

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

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

Performance statistics for the 2018/19 financial year will be updated in due course once available.

The 2018/19 Financial Overview

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

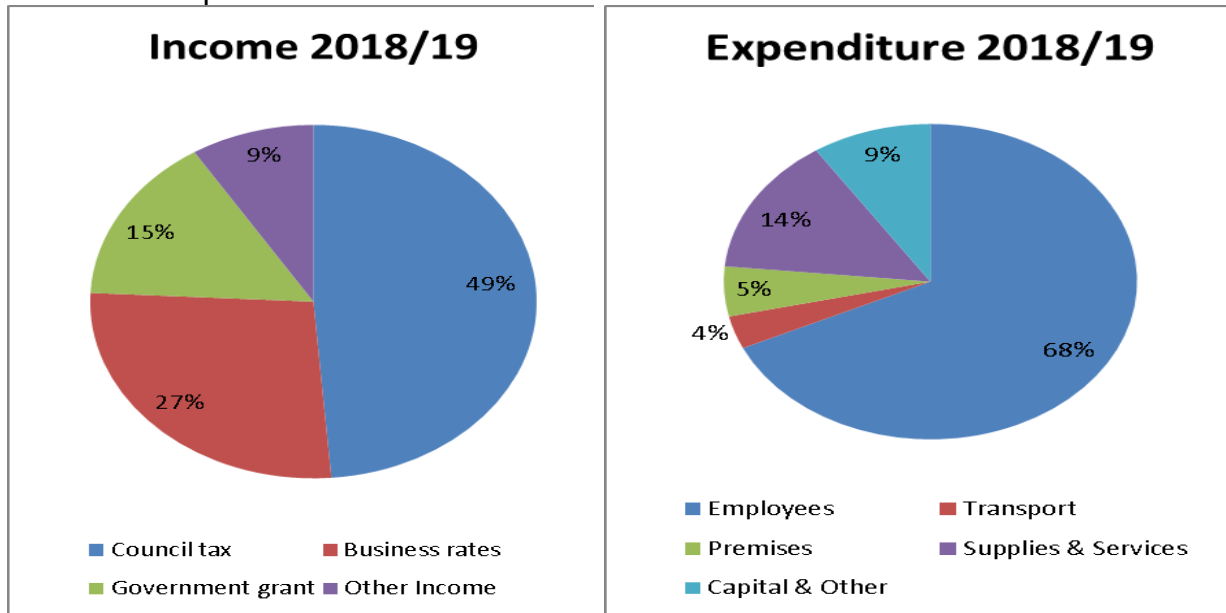
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

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

2018/19 was the third year of the Government's four year funding settlement, and in line with this Government funding, which comprises Revenue Support Grant and a proportion of Non-Domestic Rates Redistribution, fell by £1.0m to £24.3m. The Authority had to identify efficiencies of £1.1m in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £54.8m, an increase of less than 2%, and a council tax of £67.46, which is just under £1.30 per week. This represented a 2.99% increase in council tax, in line with the referendum limit. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

The net revenue position shows an overall underspend of £0.5m, however of this £0.2m relates to the redistribution of unused National Business Rates (NDR) Levy fund (which the Government has previously held back to fund business rates safety net grant payments) and a further £0.2m in respect of Business Rates Reliefs for 2017/18. Had this not been received the overall budget position would have been a marginal underspend of £0.1m.

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



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

Spend/Income type	£000		
	Budget	Spend	(Under)/ over spend
Employees: pay costs	40,268	39,982	(285)
Other employee related costs	1,136	1,036	(100)
Premises	3,004	3,075	72
Transport	2,002	2,027	25
Supplies & services	8,195	8,504	309
Capital financing costs & other	5,330	5,630	300
Total Expenditure	59,935	60,256	321
Other Income	(5,165)	(5,431)	(266)
Budget requirement	54,771	54,825	55
Funded by:			
Council tax	(29,567)	(29,567)	-
Business rates	(15,941)	(16,432)	(490)
Government grant	(9,263)	(9,263)	0
	(54,771)	(55,261)	(490)
Net Overspend	-	(435)	(435)

The following reconciliation shows the comparison between the revenue budget position, as set out above, and the Total Comprehensive Income and Expenditure figure reported in the accounts on page 19.

	£m
Revenue Outturn	(0.435)
Earmarked reserves utilised/provided for in year	0.102
Accounting for pensions under IAS19	11.228
Revenue Contributions to Capital Outlay	(2.030)
Adjustments between accounting basis and funding basis under regulations	4.719
Deficit on the provision of services	13.584
Surplus on revaluation of non-current assets	(4.539)
Actuarial loss on pensions assets and liabilities	19.849
Total Comprehensive Income and Expenditure	28.894

The Authority transferred £0.3m to the general fund balance and as a result of this the general fund balance now stands at £8.2m, still within the target level identified by the Treasurer (a minimum of £3.2m and a maximum of £10.0m). This still provides capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified, and the on-going use of reserves remains a key element of the Authority's future financial plans. It is worth noting that the latest medium term financial strategy, identified at the time of setting the 2019/20 budget, shows approx. £5m of reserves being used by March 2024 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £8m of earmarked revenue reserves and £19m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £6m and £3m respectively by March 2024. It is also worth noting that over half of the earmarked reserve relates to the Authority's two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £2.4m, as set out below:-

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

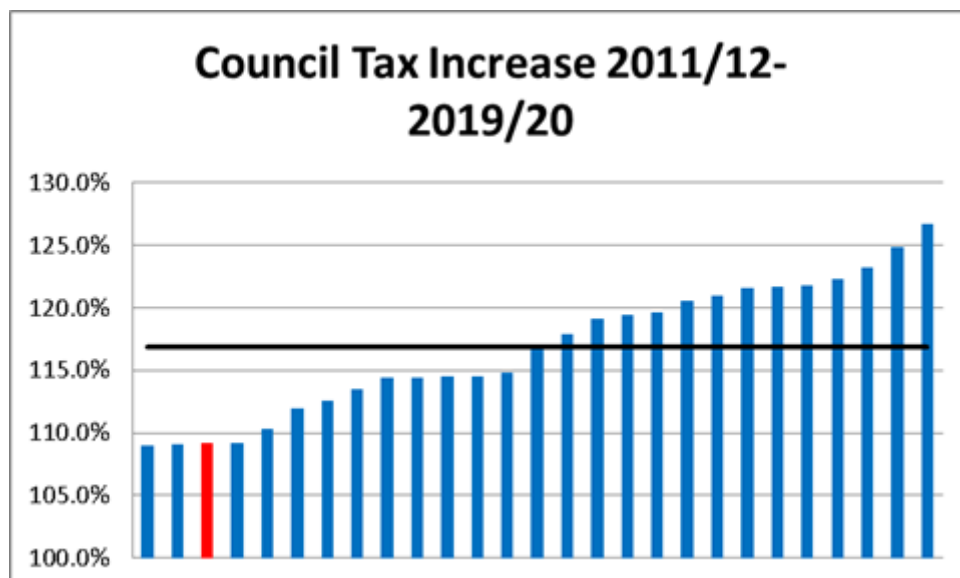
The Balance Sheet shows that the Authority's Total Net Liabilities have increased to £715m. This reflects the Authority's compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority's overall pension liability of £831m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £116m.

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

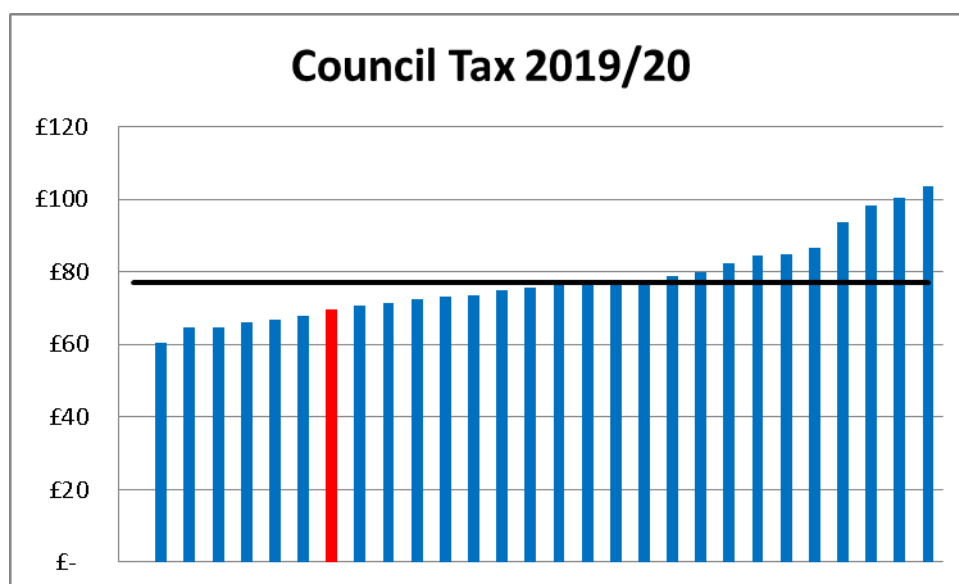
Future Financial Plans

Next year is the last of the four year funding settlement. This shows further Government funding cuts of £0.5m. The Authority has plans to deliver £1.2m of efficiencies in 2019/20, but these are more than offset by increased costs associated with pay awards, the full extent of which is not known at the present time, increased pension costs, which are partly met by the Government, and the additional costs associated with the increase in Firefighter numbers following the successful recruitment campaigns. Overall these changes result in a revenue budget of £56.5m, however in order to deliver a council tax increase within the referendum limit (3%) an additional, as yet unidentified, savings target of £0.2m was agreed, alongside a drawdown of £0.3m of reserves. Therefore the net revenue budget requirement is £56.0m, an increase of 2.3%, resulting in a council tax of £69.48, an increase of 2.99%. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

However it is worth noting that our council tax has increased by just 9.20% since 2010/11, the third lowest of any Authority and considerably lower than the average increase of 16.8%:-



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



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

Based on this we will be faced with a funding gap in future years, the extent of which depends on future council tax decisions, and we will continue to utilise reserves and identify savings in order to deliver a balanced budget in the medium term.

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

The capital budget continues to invest in our asset base, in particular vehicle replacement, refurbishment/replacement of stations, new IT requirements and new operational equipment. This gives rise to a capital program of £27m over the next five years.

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

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes the replacement of our Breathing Apparatus sets and telemetry, our cutting/extrication equipment, defibrillators and light portable pumps over the next five years.

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

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

- Reductions in funding levels over and above those forecast;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pension costs/contributions;
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spare conditions or major equipment replacement requirements;
- Increased cost of partnership arrangements;
- Inadequacy of insurance arrangements

Comprehensive Income & Expenditure Account

Comprehensive Income & Expenditure Account	2018/19			2017/18		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Continuing operations						
Service Delivery	30,585	(3,071)	27,513	29,580	(2,172)	27,408
Strategy & Planning	8,196	(515)	7,680	8,084	(618)	7,466
People & Development	1,604	(0)	1,604	1,304	(1)	1,304
Corporate Services	4,272	(60)	4,212	4,225	(59)	4,166
FF Pensions	1,242	0	1,242	1,138	(1)	1,138
Overheads	6,023	(1,784)	4,239	6,436	(1,790)	4,645
Net cost of services	51,922	(5,431)	46,491	50,766	(4,640)	46,126
Other operating expenditure						
(Gain)/Loss on disposal of fixed assets			(68)			(13)
Financing & investment income & expenditure						
Interest payable and similar charges			1,479			1,576
Pensions interest cost and expected return on pensions assets			20,253			21,005
Interest and investment income			(358)			(267)
Taxation and non-specific grant income						
Tax on NWFC			-			1
Council tax			(28,521)			(28,233)
Revenue support grant			(9,262)			(10,659)
Non-domestic rates redistribution			(15,485)			(14,605)
Non specific grant income:						
Capital grant			-			0
Business rates S31 grant			(946)			(511)
Deficit on provision of services			13,584			14,421
(Surplus)/Deficit on revaluation of fixed assets			(4,539)			(5,167)
Actuarial (gains)/losses on pension fund assets			19,849			(10,730)
Other comprehensive income & expenditure			15,310			(15,896)
Total Comprehensive Income and Expenditure			28,893			(1,476)

Movement in Reserves Statement

	Usable Reserves							Unusable Reserves					Unusable Reserves	Total reserves
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Fund	Capital grant unapplied	Usable Capital Receipts	Usable Reserves	Reval Reserve	CAA	AAAA	Coll Fund	Pension Reserve		
Bal at 1.4.18	7,899	7,883	15,783	17,745	121	1,581	35,230	40,862	38,642	(813)	704	(800,264)	(720,870)	(685,640)
Surplus/(Deficit) on provision of services	(13,584)		(13,584)				(13,584)						-	(13,584)
Other comprehensive income & expenditure			-				-	4,539				(19,849)	(15,310)	(15,310)
Total comprehensive income & expenditure	(13,584)	-	(13,584)	-	-	-	(13,584)	4,539	-	-	-	(19,849)	(15,310)	(28,893)
Adjustments between accounting basis and funding basis under regulations:														
Depreciation & impairment of non-current assets	4,258		4,258				4,258	(1,476)	(2,782)				(4,258)	0
Amortisation of intangible assets	33		33				33		(33)				(33)	-
Write off of assets disposed	(68)		(68)			68	(0)	-	-				-	(0)
Utilisation of capital grant unapplied	-		-		-		-		-				-	-
Amount by which the code & statutory pension costs differ	11,228		11,228				11,228					(11,228)	(11,228)	-
Amount by which the collection fund income in Cl&E is different to the amount taken from the GFB	1,046		1,046				1,046				(1,046)		(1,046)	-
Statutory provision for the repayment of debt	(335)		(335)				(335)		335				335	-
Capital expenditure charged to the GFB	(2,030)		(2,030)				(2,030)		2,030				2,030	-
Voluntary provision for the repayment of debt	(2)		(2)				(2)		2				2	-
	14,130	-	14,130	-	-	68	14,198	(1,476)	(448)	-	(1,046)	(11,228)	(14,198)	(0)
Net increase/decrease before transfers to earmarked reserves	546	-	546	-	-	68	614	3,064	(448)	-	(1,046)	(31,077)	(29,507)	(28,893)
Tfr to/(from) earmarked reserves	(164)	136	(28)				(28)		28				28	-
Tfr to/(from) capital fund	-		-	(352)			(352)		352				352	-
Postings between the GFB and AAAA	(49)		(49)				(49)			49			49	-
Net tfr to/(from) earmarked reserves	(213)	136	(77)	(352)	-	-	(429)	-	380	49	-	-	429	-
Increase/Decrease in the year	333	136	469	(352)	-	68	185	3,064	(68)	49	(1,046)	(31,077)	(29,079)	(28,893)
Bal at 31.3.19	8,233	8,019	16,252	17,394	121	1,649	35,415	43,926	38,574	(764)	(342)	(831,341)	(749,949)	(714,533)

Balance Sheet

	2018/19	2017/18
	LFRS	LFRS
	£000	£000
Property, plant & equipment	96,678	93,794
Intangible assets	439	472
Long-term investments	5,000	5,000
Total Long Term Assets	102,117	99,266
Assets held for sale		
Inventories	238	228
Short term investments	15,000	
Short term debtors	9,654	10,760
Cash & cash equivalents	14,865	28,768
Current Assets	39,758	39,757
Short term borrowing		
Other short term liabilities	(384)	(329)
Short term creditors	(7,607)	(6,998)
Current Liabilities	(7,991)	(7,327)
Provisions	(1,282)	(1,084)
Long term borrowing	(2,000)	(2,000)
Other long term liabilities	(845,135)	(814,251)
Long Term Liabilities	(848,417)	(817,336)
TOTAL ASSETS LESS LIABILITIES	(714,533)	(685,640)
FINANCED BY:		
Revenue Reserves	(16,253)	(15,784)
Capital Funding Reserve	(17,393)	(17,745)
Capital grants unapplied	(121)	(121)
Usable Capital Receipts Reserve	(1,649)	(1,581)
Usable Reserves:	(35,416)	(35,231)
Revaluation Reserve	(43,926)	(40,862)
Capital Adjustment Account	(38,573)	(38,641)
Collection Fund Adjustment Account	342	(704)
Accumulated Absences Adjustment Account	764	813
Pensions Reserve	831,341	800,264
Unusable Reserves:	749,949	720,871
Total Net Worth	714,533	685,640

Cash Flow Statement

	2018/19	2017/18
	£000	£000
Net deficit on the provision of services	(13,584)	(14,421)
Adjustments to net deficit on the provision of services for non-cash movements	17,531	17,569
Adjustments to net deficit on the provision of services for investing/financing activities	1,277	1,455
Net cash inflows from operating activities	5,224	4,604
Investing activities		
Purchase of fixed assets & other capital spend	(2,520)	(4,879)
Increase in long term deposits	-	-
(Increase)/Decrease in short term deposits	(15,000)	5,000
Receipts from investing activities	181	99
	(17,339)	221
Financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(332)	(335)
Repayment of long term borrowing	-	(3,514)
Payments for financing activities	(1,457)	(1,553)
	(1,789)	(5,402)
Net increase or (decrease) in cash and cash equivalents	(13,904)	(578)
Cash and cash equivalents at the beginning of the reporting period	28,769	29,347
Cash and cash equivalents at the end of the reporting period	14,865	28,769