



# STATEMENT OF ACCOUNTS

2019/20

# LANCASHIRE COMBINED FIRE AUTHORITY

## STATEMENT OF ACCOUNTS 2019/20

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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 2019/20
- 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 2020 (referred to as 2019/20). 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 2019/20. 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 2019/20, which are set out in the sections shown below.

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

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

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

**Balance Sheet** – This shows information on the financial position of the Fire Authority as at the 31 March 2020, 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.

2019/20 saw the completion of the third and final tranche of independent inspections of the Fire Service by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), following on from the first tranche done in 2018/19 which included the Authority. We remain one of only two services in the country to receive an outstanding rating along with all other areas rated as good, and no areas requiring improvement in any of the 11 categories assessed. We have remained focussed on continuous improvement since our inspection in 2018 and progress is being made in areas including improving protection services, identifying high potential staff and aspiring leaders and prioritising our risk-based inspection programme.

In March 2020 the Authority won the UK Fire Service of the Year at the iESE 2020 public sector award ceremony when nominated alongside three other fire services. The judges were impressed by the service's longstanding commitment to offering the best equipment and training. The judges also remarked that the service has some of the most innovative and outstanding facilities in the country.

The Authority took part in the Lancashire business rates pool pilot during 2019/20, which was expected to retain an additional £7m of business rates income within Lancashire, rather than pay over to Central Government, therefore providing opportunities to promote further economic growth as well as building financial resilience. As such, we did not receive Revenue Support Grant (RSG) in 2019/20, but instead received a larger share of business rates income and associated Section 31 grant.

In the first months of 2020 we began to face the unprecedented effects of the Covid-19 pandemic and invoked our Business Continuity Plan to ensure we responded appropriately and proportionately. In terms of the impact on our provision of services, we continue to attend fires and road traffic collisions as before, but have had to temporarily cease some activities, such as Home Fire Safety checks where a member of staff enters the home, and the Fire Cadets programme. We continue to monitor the latest guidance and have prepared detailed plans to bring back on line all ceased activities when it is safe to do so.

Whilst operational crews continued to attend fire stations and provide services, the majority of non-operational staff were, where possible, provided with equipment to enable them to work from home. Where staff could not carry out their ordinary role from home, we utilised them to assist the Lancashire Resilience Forum in various duties benefitting the public of Lancashire, such as assistance with distribution of food parcels and maintaining telephone contact with vulnerable adults.

Although the full financial impact of the pandemic on future funding streams is still uncertain, we have carried out some initial modelling and believe that we are in a strong position to cope with potential reduced income in the next and coming financial years.

The Authority recruited 14 new whole-time firefighters and 69 new on call firefighters, of which 11% were female and 5% were from a BME background.

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. We are continuing to review further opportunities for site sharing with both North West Ambulance Service and Lancashire Constabulary. We continue to support Lancashire Constabulary by use of a shared drone, as well as assisting in missing persons searches.

2019/20 activity has increased by 0.8% to just over 17,200 incidents, and the number of accidental dwelling fires increased by 1 from the previous year. Deliberate dwelling fires remained at 124. A total of 452 gaining entry incidents were undertaken in 2019/20, a decrease of 40% over the previous year.

### **The 2019/20 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.

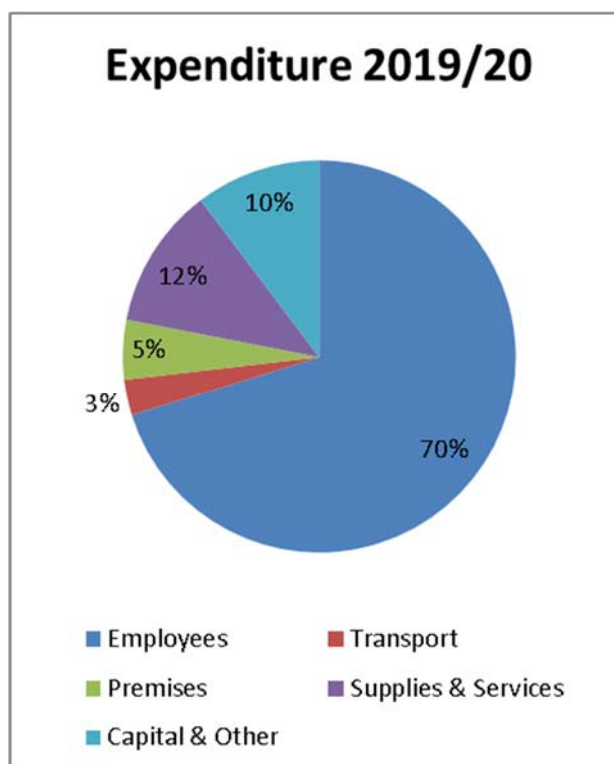
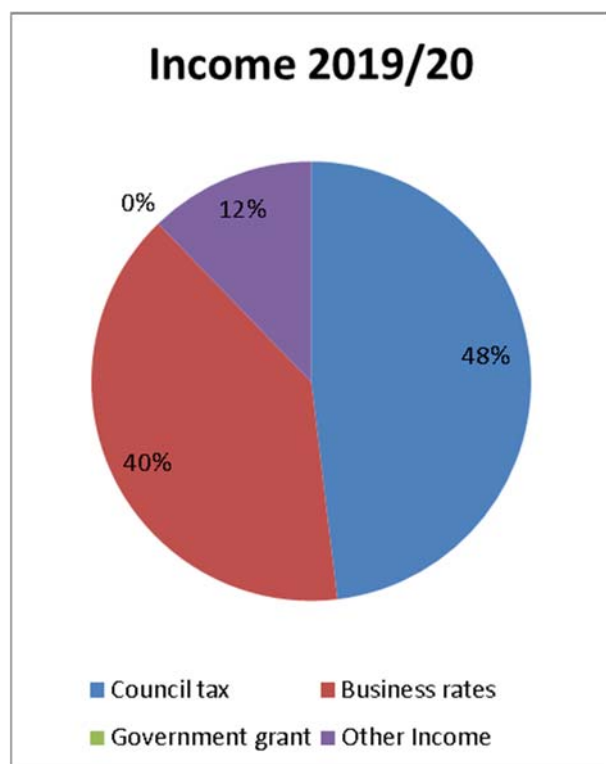
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- 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

2019/20 was the final year of the Governments four year funding settlement, and in line with this Government funding, which comprises Revenue Support Grant and a proportion of Non-Domestic Rates Redistribution, fell by £0.5m to £23.8m. The Authority had to identify efficiencies of £1.4m and draw down £0.3m reserves in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £56.0m, an increase of just over 2%, and a council tax of £69.48, which is just under £1.34 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 overspend of £0.2m. reflecting backdating of various pensionable allowances to March 2019.

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	44,122	44,349	227
Other employee related costs	800	774	(26)
Premises	3,123	3,157	35
Transport	1,910	1,924	14
Supplies & services	7,834	7,484	(350)
Capital financing costs & other	5,773	6,624	851
<b>Total Expenditure</b>	<b>63,562</b>	<b>64,312</b>	<b>750</b>
Other Income	(7,511)	(7,849)	(338)
<b>Budget requirement</b>	<b>56,052</b>	<b>56,463</b>	<b>412</b>
Funded by:			
Council tax	(30,753)	(30,812)	(59)
Business rates	(25,298)	(25,402)	(104)
Government grant	(1)	(1)	-
	<b>(56,052)</b>	<b>(56,215)</b>	<b>(163)</b>
<b>Net Overspend</b>	<b>-</b>	<b>248</b>	<b>248</b>

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	0.248
Earmarked reserves utilised/provided for in year	0.038
Accounting for pensions under IAS19	16.431

Lancashire Combined Fire Authority  
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Revenue Contributions to Capital Outlay	(2.000)
Adjustments between accounting basis and funding basis under regulations	2.470
Deficit on the provision of services	<b>17.187</b>
Surplus on revaluation of non-current assets	(4.240)
Actuarial loss on pensions assets and liabilities	(68.245)
Total Comprehensive Income and Expenditure	<b>(55.298)</b>
Recognise 25% share in North West FireControl Limited	(0.118)
Total Comprehensive Income and Expenditure	<b>(55.416)</b>

The Authority (excluding North West FireControl) transferred £0.3m from the general fund balance and as a result of this the general fund balance now stands at £6.4m, 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 2020/21 budget, shows approx. £2.2m of reserves being used by March 2025, however this position does not allow for any further backdating of pensionable allowances earlier than March 2019. Clearly any such decision would impact the level of the General Fund Balance.

The Authority also holds an additional £7.8m of earmarked revenue reserves and £19.2m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium term financial strategy, reducing to zero by March 2025. It is also worth noting that over half of the earmarked reserve relates to the Authorities two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £2.9m, as set out below:-

	Spend
<b>Vehicles</b>	
<ul style="list-style-type: none"> <li>• Pumping Appliances – further stage payment for 7 Pumping Appliances from the 2018/19 capital programme</li> <li>• Operational Support Vehicles – purchase of Water Tower plus various support vehicles, such as vans and cars</li> </ul>	<p>£0.7m</p> <p>£0.9m</p>
<b>Buildings</b>	
<ul style="list-style-type: none"> <li>• Training Centre firehouse refurbishment</li> <li>• Training Centre workshop development initial works</li> </ul>	<p>£0.3m</p> <p>£0.1m</p>
<b>ICT</b>	
<ul style="list-style-type: none"> <li>• Replacement of the station end mobilising system</li> <li>• Replacement storage area network</li> <li>• Replacement wide area network</li> </ul>	<p>£0.4m</p> <p>£0.1m</p> <p>£0.3m</p>
<b>Total</b>	<b>£2.9m</b>

The Balance Sheet shows that the Authority's Total Net Liabilities have decreased to £693m. 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 £813m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £120m. The pension liability includes estimated costs in relation to the McCloud judgement, further details can be found in note 20.

Long term assets have increased slightly in value to £105m, reflecting the expenditure incurred in year and the net outcome of revaluations.

## Future Financial Plans

2019/20 was year is the last of the four year funding settlement. The anticipated 4 year Spending Review actually only covered 2020/21, with a 4 year Review. The Local Government Finance Settlement included a 1.6% increase in the Authority's settlement funding assessment for 2020/21. 2020/21 should have seen the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, however given current economic uncertainty both of these have been put on hold for at least 12 months. The Authority has plans to deliver £0.8m of efficiencies in 2020/21, 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 ongoing recruitment campaigns. Overall these changes result in a revenue budget of £57.8m, however in order to deliver a council tax increase within the referendum limit (2%) the Authority will need to either identify further savings or utilise reserves of £0.4m. Therefore the net revenue budget requirement is £57.3m, an increase of 2.5%, resulting in a council tax of £70.86, an increase of 1.99%. 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.

Given economic uncertainty, particularly surrounding the Covid-19 pandemic, Brexit, the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we had assumed that the funding trajectory in this years' settlement is maintained, ie increases in line with current inflation of 1.5%.

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 £29m 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 review the business cases for replacement of both Preston Fire Station and Service Headquarters.

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.

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

This can be funded from a combination of revenue contributions, specific capital grant provided by the government, capital reserves and receipts and general reserves. Should the replacements of Preston and Headquarters go ahead, over the five years there is a potential £7m shortfall in funding, however the programme is based on many assumptions which will be refined over time. Over the next three years the capital programme is affordable, sustainable and prudent.



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

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

Financial plans will continue to be reviewed in light of the pandemic with particular reference to Council Tax and Business Rates income funding projections, which are expected to suffer significant shortfalls, although it is worth noting that any deficit can be spread over three year budget period.

### **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 2019/20 (the Code).

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

### **Scope of Responsibility**

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

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

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

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

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

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

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2020 and up to the date of approval of the 2019/20 Statement of Accounts.

## The Governance Framework

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

- The Integrated Risk Management Plan (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Integrated-Risk-Management-Plan.pdf>
- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan has been extended due to the Coronavirus pandemic and now covers 2020/22 was approved this year and can be found on our website at <https://vault.ecloud.co.uk/lancsfire/2020/06/Digital-ASP-20-22.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators;
- A Corporate Programme Board provides oversight across 4 areas:-
  - Business Process Improvement Programme
  - Workforce Development Programme
  - Service Delivery Change Programme
  - Capital Projects Programme.

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

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
  - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
  - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
  - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements
  - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
  - The Appeals Committee -To hear relevant appeals, grievances and complaints
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;
- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
- Comprehensive suite of strategies and policies in place and regularly reviewed

- Codes of Conduct for members and officers, and member/officer protocol, that set out clear expectations for standards of behaviour;
- Both the Monitoring Officer and Treasurer are involved in the Authority's decision making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;
- The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government;
- Well publicised arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;
- A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed
- Comprehensive Business Continuity arrangements in place, and tested on a regular basis
- A framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;
- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet.
- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements.
- Comprehensive service review process in place, comprising external views in the form of HMICFRS Inspection review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

### **Review of effectiveness**

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

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

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

- The Integrated Risk Management Plan covers the five year period 2017-2022.
- We updated our Strategic Assessment of Risk.

- A revised Annual Service Plan has been agreed, covering 2020/22 (this is now a 2 year plan due to the Coronavirus pandemic), providing clarity, both internally and externally, on our priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities. This is supported by Local Delivery Plans.
- A framework exists to review potential partnership arrangements utilising the following criteria:
  - Will it make Lancashire Safer?
  - Will undertaking the activity potentially damage our brand?
  - Does it fit with the public image of the FRS?
  - Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?
  - Is there a significant negative financial impact?
  - Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?
- Statement of Intent: Enhanced Collaboration between LFRS and Constabulary approved at Joint Exec Board. Joint Collaboration group established, reporting through to Members.
- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.
- Performance appraisal incorporating values is undertaken throughout the Service
- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.
- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.
- As part of the 2019/20 internal audit plan the auditors undertook various reviews and gave the overall opinion that they can *"provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control."*
- Grant Thornton provide an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2018/19:
  - Financial statements – *"We gave an unqualified opinion on the Authority's financial statements on 30 July 2019."*
  - Value for money conclusion – *"We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources."*
- HMICFRS undertook its first inspection of the Service. Overall the Service was rated as Good, in all categories other than 'Promoting the right values and culture' in which it was rated outstanding. This was the highest overall rating of any Service in the first tranche of inspections, and the only outstanding rating. *"Overall, we commend Lancashire Fire and Rescue Service for its performance. We are confident it is well equipped for this to continue."* and *"It provides an effective service"* and *"It provides an efficient and affordable service by making good use of its resources"*

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

Area for Improvement	Action to date	Complete/ On-going	Owner
Continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning	Work is on-going to build the Assurance Monitoring System that will link into LFRS debrief App and include an action tracker that will track actions from the debriefs and other assurance work (NOL, JOL etc). All communications and evidence will be stored on the system rather than on spreadsheets, folders and individuals email accounts. The action tracker is being built so that it can be used to track actions from meetings	On-going, target date March 21	Head of Digital Transformation
Performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation	A new appraisal process and form was introduced in year for all staff, with appropriate guidance provided.  We will develop it further to be delivered online, and provide additional training in relation to the management of performance	On-going, target date March 21	Head of Human Resources
Area for Improvement	Action to date	Complete/ On-going	Owner

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

### Significant governance issues

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

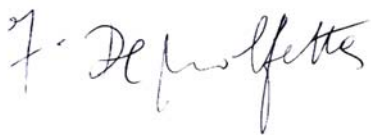
Whilst no significant governance issues were identified, the following new areas for improvement, are listed below:

- Develop 360-degree assessments for leaders to inform personal development

We propose over the coming year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that

were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**



County Councillor F  
De Molfetta, Chairman,  
Lancashire Combined Fire  
Authority  
27 November 2020



J Johnston,  
Chief Fire Officer,  
Lancashire Fire and Rescue  
Service  
27 November 2020



K Mattinson CPFA,  
Treasurer,  
Lancashire Combined Fire  
Authority  
27 November 2020

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the Firefighter Pension Fund Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Treasurer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, and the authority's share of the local government pension scheme's property investments**

We draw attention to Note 26 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the local government pension scheme's property investments as at 31 March 2020. As, disclosed in Note 26 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report and the local government pension scheme's property valuation reports. Our opinion is not modified in respect of this matter.

### **Other information**

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Statement on Annual Governance Arrangements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

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

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Statement on Annual Governance Arrangements for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Lancashire Combined Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Lancashire Combined Fire Authority  
Statement of Accounts 2019/20

Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Andrew Smith*

**Andrew Smith, Key Audit Partner**  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Manchester  
**30 November 2020**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer to the Fire Authority.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

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  
27 November 2020



Hasina Khan  
Chair of Audit Committee  
27 November 2020

### COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

Notes

		2019/20			2018/19 as Restated		
		Gross Expend iture £000	Gross Income £000	Net Expend iture £000	Gross Expend iture £000	Gross Income £000	Net Expend iture £000
Continuing operations:							
2	Service Delivery	35,760	(2,022)	33,738	31,304	(3,306)	27,998
2	Strategy and Planning	9,065	(489)	8,576	8,196	(516)	7,680
2	People and Development	1,633	-	1,633	1,604	-	1,604
2	Corporate Services	5,081	(60)	5,021	4,272	(60)	4,212
2	Fire-fighters Pensions	1,310	(27)	1,283	1,242	-	1,242
2	Overheads	6,776	(4,930)	1,846	39,427	(1,784)	37,643
2	Net Cost of Services	59,625	(7,528)	52,097	86,045	(5,666)	80,380
Gain on disposal of non current assets				(14)			(68)
Financing & investment income & expenditure							
9	Interest payable and similar charges			1,461			1,479
16	Pensions interest cost and expected return on pensions assets			21,130			20,276
9	Interest receivable and similar Income			(332)			(358)
Taxation and non-specific grant income							
	Taxation on NW FireControl			-			1
	Council tax			(30,724)			(29,440)
	Revenue Support Grant			-			(9,262)
	Non-domestic rates redistribution			(23,930)			(15,405)
	Capital grant income			(417)			(563)
	Business rates S31 grant			(1,654)			(946)
Deficit/(Surplus) on the provision of services				17,618			46,094
(Surplus)/Deficit on revaluation of non-current assets				(4,240)			(4,539)
19	Actuarial (gains)/losses on pensions assets and liabilities			(68,795)			19,884
Other comprehensive income & expenditure				(73,035)			15,345
Total Comprehensive Income and Expenditure				<b>(55,416)</b>			<b>61,439</b>

**MOVEMENT IN RESERVES STATEMENT 2019/20**

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

	General fund	Earmarked reserves	Total General Fund Balance	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019 carried forwards as restated	6,519	8,020	14,537	17,393	605	1,649	34,185	(782,770)	(748,585)
Movement in reserves during 2019/20									
Surplus/(Deficit) on provision of services	(17,618)	-	(17,618)	-	-	-	(17,618)	-	(17,618)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	73,035	73,035
Total comprehensive income and expenditure	(17,618)	-	(17,618)	-	-	-	(17,618)	73,035	55,416
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,059	-	4,059	-	-	-	4,059	(4,059)	-
Amortisation of intangible assets	135	-	135	-	-	-	135	(135)	-
Disposal of assets	(14)	-	(14)	-	-	14	-	-	-
Capital grants unapplied	167	-	167	-	(167)	-	-	-	-
Provision for the repayment of debt	(576)	-	(576)	-	-	-	(576)	576	-
Capital expenditure charged against General Fund Balance	(2,000)	-	(2,000)	-	-	-	(2,000)	2,000	-
Amount by which the Code and the statutory pension costs differ	16,581	-	16,581	-	-	-	16,581	(16,581)	-
Amount by which the Code and the statutory collection fund income differ	(93)	-	(93)	-	-	-	(93)	93	-
	18,259	-	18,259	-	(167)	14	18,106	(18,106)	-
Net increase/decrease before transfers to earmarked reserves	641	-	641	-	(167)	14	488	54,929	55,416
Transfers (to)/from earmarked reserves	(684)	684	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	(172)	(877)	(1,049)	189	-	-	(860)	860	-
Transfers (to)/from accumulated absences adjustment account	47	-	47	-	-	-	47	(47)	-
Net tfr (to)/from earmarked reserves	(809)	(193)	(1,002)	189	-	-	(813)	813	-
Increase/(Decrease) in the year	(168)	(193)	(361)	189	(167)	14	(325)	55,461	55,416
Balance at 31 March 2020 carried forwards	6,350	7,827	14,177	17,582	438	1,663	33,860	(727,029)	(693,169)

**MOVEMENT IN RESERVES STATEMENT 2018/19 as Restated**

	General fund	Earmarked reserves	Total General Fund Balance	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018 carried forwards as restated	6,392	7,884	14,276	17,745	121	1,582	33,723	(720,870)	(687,147)
Movement in reserves during 2018/19									
Surplus/(Deficit) on provision of services	(46,094)	-	(46,094)	-	-	-	(46,094)	-	(46,094)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(15,345)	(15,345)
Total comprehensive income and expenditure	(46,094)	-	(46,094)	-	-	-	(46,094)	(15,345)	(61,439)
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,268	-	4,268	-	-	-	4,268	(4,268)	-
Amortisation of intangible assets	134	-	134	-	-	-	134	(134)	-
Disposal of assets	(68)	-	(68)	-	-	68	-	-	-
Capital grants unapplied	(484)	-	(484)	-	484	-	-	-	-
Provision for the repayment of debt	(337)	-	(337)	-	-	-	(337)	337	-
Capital expenditure charged against General Fund Balance	(2,030)	-	(2,030)	-	-	-	(2,030)	2,030	-
Amount by which the Code and the statutory pension costs differ	44,741	-	44,741	-	-	-	44,741	(44,741)	-
Amount by which the Code and the statutory collection fund income differ	207	-	207	-	-	-	207	(207)	-
	46,433	-	46,433	-	484	68	46,984	(46,984)	-
Net increase/decrease before transfers to earmarked reserves	338	-	338	-	484	68	890	(62,329)	(61,439)
Transfers (to)/from earmarked reserves	(164)	136	(28)	-	-	-	(28)	28	-
Transfers (to)/from capital funding reserve	-	-	-	(352)	-	-	(352)	352	-
Transfers (to)/from accumulated absences adjustment account	(49)	-	(49)	-	-	-	(49)	49	-
Net tfr (to)/from earmarked reserves	(213)	136	(77)	(352)	-	-	(429)	429	-
Increase/(Decrease) in the year	126	136	261	(352)	484	68	461	(61,900)	(61,439)
Balance at 31 March 2019 carried forwards as restated	6,519	8,020	14,537	17,393	605	1,649	34,185	(782,770)	(748,585)




**BALANCE SHEET**

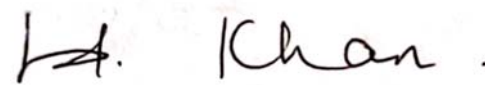
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable reserves are those that 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 2020 £000	At 31 March 2019 As Restated £000	At 1 April 2018 As Restated £000	
	<b>Long Term Assets</b>			
7	Property, Plant & Equipment	99,314	96,700	93,974
8	Intangible Assets	859	343	472
9	Long-Term Investments	5,000	5,000	5,000
		<u>105,173</u>	<u>102,043</u>	<u>99,266</u>
	<b>Current Assets</b>			
	Inventories	237	239	228
9	Short Term Investments	5,000	15,000	-
10	Short Term Debtors	8,801	9,737	10,760
11	Cash & Cash Equivalents	27,922	14,841	28,768
		<u>41,960</u>	<u>39,817</u>	<u>39,757</u>
	<b>Current Liabilities</b>			
9	Other Short Term Liabilities	(417)	(384)	(329)
12	Short Term Creditors	(10,252)	(8,097)	(8,504)
		<u>(10,668)</u>	<u>(8,480)</u>	<u>(8,833)</u>
	<b>Long Term Liabilities</b>			
13	Provisions	(1,580)	(1,282)	(1,084)
9	Long Term Borrowing	(2,000)	(2,000)	(2,000)
14	Other Long Term Liabilities	(826,053)	(878,683)	(814,251)
		<u>(829,633)</u>	<u>(881,965)</u>	<u>(817,336)</u>
	<b>Net Liabilities</b>			
		<u>(693,169)</u>	<u>(748,585)</u>	<u>(687,147)</u>
17	Revenue Reserves	(14,177)	(14,538)	(14,276)
17	Capital Funding Reserve	(17,583)	(17,393)	(17,745)
17	Capital Grants Unapplied Account	(438)	(605)	(121)
17	Usable Capital Receipts Reserve	(1,663)	(1,649)	(1,582)
17	<b>Usable Reserves:</b>	<u>(33,861)</u>	<u>(34,186)</u>	<u>(33,724)</u>
19	Revaluation Reserve	(46,544)	(43,925)	(40,862)
19	Capital Adjustment Account	(39,325)	(38,461)	(38,641)
14,16&19	Pension Reserve	812,676	864,889	800,264
19	Collection Fund Adjustment Account	(589)	(496)	(704)
19	Accumulated Absences Adjustment Account	811	764	813
19	<b>Unusable Reserves:</b>	<u>727,029</u>	<u>782,771</u>	<u>720,871</u>
	<b>Total Reserves</b>			
		<u>693,169</u>	<u>748,585</u>	<u>687,147</u>

These Financial Statements replace the unaudited financial statements authorised by the Treasurer on 14 July 2020.

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 2020 and its income and expenditure for the year then ended.

  
K Mattinson CPFA  
Treasurer to the Combined Fire Authority  
27 November 2020

  
Hasina Khan  
Chair of Audit Committee  
27 November 2020

## 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	2019/20		2018/19 as Restated	
	£000	£000	£000	£000
Net (deficit)/surplus on the provision of services		(17,618)		(46,094)
24 Adjustments to net (deficit)/surplus on the provision of services for non-cash movements		24,150		50,056
Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,255		1,277
<b>Net cash flows from Operating Activities</b>		<b>7,786</b>		<b>5,238</b>
<u>Investing activities</u>				
7&8 Purchase of property plant and equipment & other capital spend	(3,068)		(2,558)	
(Increase)/Decrease in short term deposits	10,000		(15,000)	
25 Receipts from investing activities	184		181	
Net cash flows from investing activities	7,116		(17,377)	
<u>Financing activities</u>				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(384)		(332)	
Repayment of long term borrowing	-		-	
25 Payments for financing activities	(1,439)		(1,457)	
Net cash flows from financing activities	(1,823)		(1,789)	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,081</b>		<b>(13,928)</b>
11 Cash and cash equivalents at the beginning of the reporting period		14,841		28,769
11 <b>Cash and cash equivalents at the end of the reporting period</b>		<b>27,922</b>		<b>14,841</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**1 Prior Period Adjustment**

Following on from the “Norman vs Cheshire” and the subsequent court decision, Smith v Mid and West Wales Fire Authority, in March 2019, the Authority has determined that certain allowances are pensionable and has implemented these arrangements with effect from 1/6/20. The Authority is attempting to resolve the issue of backdating via the collective bargaining arrangements, but this has not yet been concluded. Pending the outcome of these negotiations we have now restated the 2018/19 financial statements allowing for £1.8m of potential backdating. This had previously been disclosed as a contingent liability.

These changes have had the following impact on the comparative figures for 2018/19, compared with those published in the 2018/19 accounts:

**Comprehensive Income and Expenditure Statement:**

	Original 2018/19 Net Expenditure £000	Prior period adjustment £000	Revised 2018/19 Net Expenditure £000
Service Delivery	27,673	325	27,998
Strategy and Planning	7,680	-	7,680
People and Development	1,604	-	1,604
Corporate Services	4,212	-	4,212
Fire-fighters Pensions	1,242	-	1,242
Overheads	37,643	-	37,643
Net Cost of Services	80,055	325	80,380
(Gain)/Loss on disposal of fixed assets	(68)	-	(68)
Interest payable and similar charges	1,479	-	1,479
Pensions interest cost and expected return on pensions assets	20,276	-	20,276
Interest and investment income	(358)	-	(358)
Taxation on NW FireControl	1	-	1
Council Tax	(29,440)	-	(29,440)
Revenue Support Grant	(9,262)	-	(9,262)
Non-domestic rates redistribution	(15,405)	-	(15,405)
Capital grant income	(563)	-	(563)
Business rates S31 grant	(946)	-	(946)
Deficit on provision of services	45,769	325	46,094
(Surplus) on revaluation of non-current assets	(4,539)	-	(4,539)
Actuarial losses on pensions assets and liabilities	19,884	-	19,884
Other comprehensive income & expenditure	15,345	-	15,345
Total Comprehensive Income and Expenditure	61,114	325	61,439

**Extract from the Movement in Reserves Statement:**

	Original 2018/19 MIRS Balances				Prior period adjustment to General Fund Balance £000	Revised 2018/19 MIRS Balances			
	Total General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000		Total General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018 carried forwards as restated	15,783	35,231	(720,870)	(685,640)	(1,506)	14,276	33,723	(720,870)	(687,147)
(Deficit) on provision of services	(45,769)	(45,769)	-	(45,769)	(325)	(46,094)	(46,094)	-	(46,094)
Other comprehensive income & expenditure	-	-	(15,345)	(15,345)	-	-	-	(15,345)	(15,345)
Total Comprehensive Income and Expenditure	(45,769)	(45,769)	(15,345)	(61,114)	(325)	(46,094)	(46,094)	(15,345)	(61,439)
Adjustments between accounting basis and funding basis under regulations:									
Net increase/decrease before transfers to earmarked reserves	46,433	46,984	(46,984)	-	-	46,433	46,984	(46,984)	-
Net tfr to/(from) earmarked reserves	(77)	(429)	429	-	-	(77)	(429)	429	-
Increase/Decrease in the year	586	787	(61,900)	(61,114)	(325)	126	261	(61,900)	(61,439)
Balance as at 31 March 2019	16,369	36,017	(782,770)	(746,754)	(1,831)	14,357	34,185	(782,770)	(748,585)

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**Balance Sheet:**

<u>SUMMARY</u>	Original 2018/19 £000	Prior Period Adjustment £000	Restated 2018/19 £000
Property, plant & equipment	96,700	-	96,700
Intangible assets	343	-	343
Long-term investments	5,000	-	5,000
<b>Total Long Term Assets</b>	<b>102,043</b>		<b>102,043</b>
Inventories	238	-	238
Short term investments	15,000	-	15,000
Short term debtors	9,737	-	9,737
Cash & cash equivalents	14,841	-	14,841
<b>Current Assets</b>	<b>39,817</b>		<b>39,817</b>
Other short term liabilities	(384)	-	(384)
Short term creditors	(6,265)	(1,831)	(8,097)
<b>Current Liabilities</b>	<b>(6,649)</b>	<b>(1,831)</b>	<b>(8,480)</b>
Provisions	(1,282)	-	(1,282)
Long term borrowing	(2,000)	-	(2,000)
Other long term liabilities	(878,683)	-	(878,683)
<b>Long Term Liabilities</b>	<b>(881,965)</b>		<b>(881,965)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>(746,754)</b>	<b>(1,831)</b>	<b>(748,585)</b>
<b>FINANCED BY:</b>			
Revenue Reserves	(16,370)	1,831	(14,538)
Capital Funding Reserve	(17,393)	-	(17,393)
Capital grants unapplied	(605)	-	(605)
Usable Capital Receipts Reserve	(1,649)	-	(1,649)
<b>Usable Reserves:</b>	<b>(36,017)</b>	<b>1,831</b>	<b>(34,186)</b>
Revaluation Reserve	(43,926)	-	(43,926)
Capital Adjustment Account	(38,461)	-	(38,461)
Collection Fund Adjustment Account	(496)	-	(496)
Accumulated Absences Adjustment Account	764	-	764
Pensions Reserve	864,889	-	864,889
<b>Unusable Reserves:</b>	<b>782,771</b>		<b>782,771</b>
<b>Total Net Worth</b>	<b>746,754</b>	<b>1,831</b>	<b>748,585</b>

## 2 Expenditure and Funding Analysis

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

2019/20	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 1a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	39,583	-	39,583	(5,845)	33,738
Strategy and Planning	9,070	-	9,070	(494)	8,576
People and Development	1,409	-	1,409	224	1,633
Corporate Services	4,907	-	4,907	114	5,021
Firefighters Pensions	1,283	-	1,283	-	1,283
Overheads	676	38	714	1,132	1,846
<b>Net cost of Services</b>	<b>56,928</b>	<b>38</b>	<b>56,967</b>	<b>(4,869)</b>	<b>52,097</b>
Other income and expenditure	(56,681)	-	(56,681)	22,202	(34,479)
<b>Surplus on provision of services</b>	<b>248</b>	<b>38</b>	<b>286</b>	<b>17,332</b>	<b>17,618</b>
Opening General Fund balance			(6,518)		
Surplus on provision of services			286		
NWFC recognise 25% surplus on provision of services			(118)		
Closing General Fund balance			<u>(6,350)</u>		

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2018/19	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (note 1a) £000	Net chargeable to the General Fund as restated £000	Adjustments between the Funding and Accounting basis (note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	36,278	434	36,712	(8,715)	27,673
Strategy and Planning	8,342	-	8,342	(662)	7,680
People and Development	1,396	-	1,396	209	1,604
Corporate Services	4,127	-	4,127	85	4,212
Firefighters Pensions	1,242	-	1,242	-	1,242
Overheads	3,401	(7)	3,394	34,249	37,643
<b>Net cost of Services</b>	<b>54,786</b>	<b>427</b>	<b>55,213</b>	<b>25,166</b>	<b>80,055</b>
Other income and expenditure	(55,221)	-	(55,221)	20,936	(34,285)
<b>Surplus on provision of services</b>	<b>(435)</b>	<b>427</b>	<b>(8)</b>	<b>46,102</b>	<b>45,769</b>
Opening General Fund balance as restated			(6,392)		
Surplus on provision of services			(8)		
NWFC recognise 25% surplus on provision of services			(117)		
Closing General Fund balance			<u>(6,518)</u>		

**2a Note to the Expenditure and Funding Analysis**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2019/20	Transfer to/(from) Earmarked Reserves £000	Total to arrive at the General Fund £000	at	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	Total adjustment between funding and accounting basis £000
Service Delivery	-	-	-	95	(5,628)	(311)	(5,845)
Strategy and Planning	-	-	-	(37)	(274)	(184)	(494)
People and Development	-	-	-	-	214	10	224
Corporate Services	-	-	-	-	214	(100)	114
Firefighters Pensions	-	-	-	-	-	-	-
Overheads	38	38	38	1,388	925	(1,181)	1,132
<b>Net cost of Services</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>1,446</b>	<b>(4,549)</b>	<b>(1,766)</b>	<b>(4,869)</b>
Other income and expenditure	-	-	-	(14)	21,130	1,085	22,202
<b>Total</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>1,432</b>	<b>16,581</b>	<b>(681)</b>	<b>17,332</b>

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Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves	Other Adjustment as restated	Total to arrive at amount charged to the General Fund as restates	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (note 3)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000
2018/19							
Service Delivery	109	325	434	112	(8,717)	(110)	(8,715)
Strategy and Planning	-	-	-	(13)	(692)	43	(662)
People and Development	-	-	-	-	189	20	209
Corporate Services	-	-	-	-	85	-	85
Firefighters Pensions	-	-	-	-	-	-	-
Overheads	(7)	-	(7)	1,936	33,600	(1,288)	34,249
<b>Net cost of Services</b>	102	325	427	2,036	24,466	(1,335)	25,166
Other income and expenditure	-	-	-	(68)	20,276	729	20,936
<b>Total</b>	102	325	427	1,968	44,741	(606)	46,102

Note 1 – Adjustments for capital purposes – this column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written off. MRP is deducted because it is not chargeable under generally accepted accounting practices. Adjustments are also made to recognise capital grant income.

Note 2 – Pensions Adjustments - This shows which lines have been affected by the removal of pension contributions and replaced with IAS19 debits and credits.

Note 3 – Other Differences - This column adjusts for timing differences on the amounts chargeable for Business Rates and Council Tax under Statute and the Code.



### 3 Fire Authority Costs

In 2019/20 Fire Authority costs amounted to £0.266m (2018/19: £0.274m), analysed as follows:

	2019/20 £000	2018/19 £000
Members allowances/expenses	135	132
Statutory officers	91	97
Subscriptions	-	11
Others	40	34
	<u>266</u>	<u>274</u>

### 4 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,015 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2019/20 No.	2018/19 No.
£75,000 - £89,999	2	2
£70,000 - £74,999	1	2
£65,000 - £69,999	4	4
£60,000 - £64,999	5	7
£55,000 - £59,999	20	13
£50,000 - £54,999	36	32
	<u>68</u>	<u>60</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.

<b>Post holder information (post title and name)</b>	<b>Salary</b>	<b>Allowances (estimated based on 2018/19 figures)</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>2019/20</b>					
Chief Fire Officer – Chris Kenny (1 April 19 – 30 April 19)	13,400	514	13,914	4,998	18,912
Director of Strategy & Planning (1 April 19 – 30 April 19)	144,153	8,040	152,193	41,516	193,709
Chief Fire Officer (1 May 19 to date) – Justin Johnston					
Director of Service Delivery – David Russel	133,700	5,131	138,831	38,490	177,321
Director of Strategy & Planning – Ben Norman (1 May 19 to date)	102,483	4,216	106,699	24,928	131,627
Director of People & Development – Robert Warren	104,459	-	104,459	15,355	119,814
Director of Corporate Services – Keith Mattinson	104,459	-	104,459	15,355	119,814
	<b>602,654</b>	<b>17,901</b>	<b>620,555</b>	<b>140,642</b>	<b>761,197</b>

<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>2018/19</b>					
Chief Fire Officer – Chris Kenny	160,016	5,367	165,383	34,723	200,106
Director of Strategy & Planning – Justin Johnston	136,014	4,637	140,651	19,450	160,101
Director of Service Delivery – David Russel	128,012	1,498	129,510	18,306	147,816
Director of People & Development – Robert Warren	102,410	-	102,410	15,054	117,464
Director of Corporate Services – Keith Mattinson	102,410	-	102,410	15,054	117,464
	<b>628,862</b>	<b>11,502</b>	<b>640,364</b>	<b>102,587</b>	<b>742,951</b>

\* The 2018/19 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2018/19 Statement of Accounts.

### Exit Packages

There were no exit packages in 2019/20 or 2018/19.

## 5 External Auditors Fees

In 2019/20, the Fire Authority paid a total of £0.028m to its external auditors, Grant Thornton (2018/19: £0.028m), as follows:

	2019/20	2018/19
	£000	Restated*
	£000	£000
Audit fees – Grant Thornton	28	28

\* The 2018/19 fee has been restated to include an additional charge in respect of work carried out on pensions following the McCloud judgement, and P,P&E following a change in national audit requirements.

## 6 Related Parties Transactions

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

### Central Government

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

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 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 2019/20 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 (£0.629m received from the precepting authority, 2018/19: £0.402m), and council tax

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(£2.421m received from the precepting authority, 2018/19 £2.317m), the administration of these is strictly defined by a statutory framework.

## 7 Property, Plant & Equipment

Details on policies can be seen in note 30, 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 2019/20 are:

Movement during the year	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
<b>Cost or valuation</b>				
At 1 April 2019	57,641	28,889	23,644	110,174
Additions	420	-	2,012	2,432
Disposals	-	-	(1,308)	(1,308)
Impairment losses recognised in the Revaluation Reserve	(1,322)	(405)	-	(1,727)
Impairment losses recognised in the Deficit on the Provision of Services	(143)	-	(5)	(148)
Derecognition – other	-	-	(392)	(392)
Revaluations	2,395	1,156	-	3,551
As at 31 March 2020	58,991	29,640	23,951	112,582
<b>Depreciation and impairments</b>				
At 1 April 2019	-	-	(13,474)	(13,474)
Depreciation charge for 2019/20	(1,743)	(674)	(1,494)	(3,911)
Disposals	-	-	1,308	1,308
Derecognition – other	-	-	392	392
Revaluations	1,743	674	-	2,417
As at 31 March 2020	-	-	(13,268)	(13,268)
Balance sheet at 31 March 2020	58,991	29,640	10,683	99,314
Balance sheet at 31 March 2019	57,641	28,889	10,170	96,700
<b>Nature of asset holding</b>				
Owned	58,721	-	10,529	69,250
Finance lease	270	-	154	424
PFI	-	29,640	-	29,640
	58,991	29,640	10,683	99,314
Carried at historical cost	-	-	10,657	10,657
Valued at current value as at:				
31 March 2020	58,991	29,640	-	88,631
31 March 2010	-	-	26	26
Total cost or valuation	58,991	29,640	10,683	99,314

On 31 March 2020 the Authority undertook a full revaluation review on approximately one fifth of its land and buildings, and in addition carried out a desktop revaluation exercise on the remainder, which resulted in a net revaluation gain of £5.967m (2018/19: net gain of £6.706m).

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The comparative figures detailing the movement during 2018/19:

<b>Movement during the year</b>	<b>Other Land &amp; Buildings £000</b>	<b>PFI Assets – 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 2018	50,120	28,620	22,995	4,698	106,433
Additions	770	-	1,865	-	2,635
Disposals	-	-	(784)	-	(784)
Impairment losses recognised in the Revaluation Reserve	(1,480)	(687)	-	-	(2,167)
Impairment losses recognised in the Deficit on the Provision of Services	(33)	-	(432)	-	(465)
Reclassifications	5,567	(869)*	-	(4,698)	-
Revaluations	2,696	1,826	-	-	4,522
As at 31 March 2019	57,641	28,889	23,644	-	110,174
<b>Depreciation and impairments</b>					
At 1 April 2018	-	-	(12,639)	-	(12,639)
Depreciation charge for 2018/19	(1,524)	(660)	(1,619)	-	(3,803)
Disposals	-	-	784	-	784
Revaluations	1,524	660	-	-	2,184
As at 31 March 2019	-	-	(13,474)	-	(13,474)
Balance sheet at 31 March 2019	57,641	28,889	10,170	-	96,700
Balance sheet at 31 March 2018	50,120	28,620	10,356	4,698	93,794
<b>Nature of asset holding</b>					
Owned	57,371	-	9,977	-	67,348
Finance lease	270	-	193	-	463
PFI	-	28,889	-	-	28,889
	57,641	28,889	10,170	-	96,700

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

### 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 2019/20 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.

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement	14,374	14,518
Capital investment:		
Property, Plant & Equipment*	2,432	2,635
Intangible assets*	651	5
Sources of Finance:		
Government Grant	-	-
Capital Reserves	(860)	(352)
Earmarked Reserves	-	(28)
Revenue contributions to capital*	(2,223)	(2,068)
MRP	(575)	(337)
Closing Capital Financing Requirement	<u>13,799</u>	<u>14,374</u>
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(575)	(337)
Assets acquired under finance lease	-	193
	<u>(575)</u>	<u>(144)</u>

\* Includes NWFC balances

### Details of Assets Held

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

	2019/20	2018/19
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	39
Training School	1	1
Fire houses	1	1

### Capital Commitments

Capital projects often take several years to complete, which means that the Authority is committed to capital expenditure in following years arising from contracts entered into at the Balance Sheet date, but on which all or part of the capital work has yet to be undertaken. The estimated capital expenditure committed at 31 March 2020 is £0.318m (2018/19: £2.806m).

## 8 Intangible Assets

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

<b>Movement during</b>	2019/20 £000	2018/19 £000
<b>Cost or valuation</b>		
At 1 April	2,092	2,087
Additions	651	5
Derecognised	(365)	-
As at 31 March	2,378	2,092
<b>Amortisation &amp; impairment</b>		
At 1 April	(1,749)	(1,615)
Amortisation charge for the year	(135)	(134)
Derecognised	365	-
As at 31 March	(1,519)	(1,749)
Balance sheet at 31 March 2020	859	343
Balance sheet at 31 March 2019	472	472

## 9 Financial Instruments

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

### Financial assets – balances

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

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

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

	Long-Term		Current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Investments	5,000	5,000	5,000	15,000
Cash & cash equivalents	-	-	27,922	14,841
Other trade receivables	-	-	171	170



### Financial liabilities – balances

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

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

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

	Long-Term		Current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Borrowings	2,022	2,021	-	-
PFI and finance lease arrangements	13,377	13,793	417	384
<u>Trade payables</u>	-	-	4,255	4,560

### Financial Instruments - Gains and Losses

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

	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<b>Financial Liabilities at amortised cost</b>				
Interest payable relating to PFI	1,362	1,380	-	-
Interest payable relating to Borrowing	90	89	-	-
Interest payable relating to finance leases	9	10	-	-
Total expense in Deficit on the Provision of Services	1,461	1,479	-	-
<b>Financial Assets at amortised cost</b>				
Interest income	-	-	(332)	(358)
Total income in Deficit on the Provision of Services	-	-	(332)	(358)
Net gain/(loss) for the year	1,461	1,479	(332)	(358)

### Fair Values of Financial Instruments

In accordance with IFRS 9, financial liabilities, financial assets represented by investments and long term creditors, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2020 of 4.48% to 4.49% for loans from the PWLB
- This valuation takes into account the penalties that would be payable or discounts receivable on early repayment of loans to the PWLB. These penalties and discounts depend on the rate and

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period of each individual loan and on the rates for loans with similar periods to maturity prevailing at the balance sheet date.

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- The fair value of the PFI liabilities has been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated bond yield rates.

The fair values calculated are as follows:

	31 March 2020		31 March 2019	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	2,022	2,725	2,021	2,687
Cash deposits invested and classed as investments	-	-	-	-
PFI Liabilities	13,575	16,636	13,917	16,954

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2020 is £2.000 million (2018/19: £2.000m) and it is due for repayment as shown in the following table:

	2019/20 £000	2018/19 £000
Over 10 years	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

## 10 Debtors

	2019/20 £000	2018/19 £000
Trade debtors	962	2,406
VAT	215	176
Local taxation debtors	3,566	3,161
Other debtors	4,058	3,994
	<u>8,801</u>	<u>9,737</u>

## 11 Cash & Cash Equivalents

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

	2019/20 £000	2018/19 £000
Cash held by the Authority	54	54
Cash held by North West FireControl (25% share)	462	141
Call account balance	27,406	14,646
	<u>27,922</u>	<u>14,841</u>

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The call account balance is placed with Lancashire Country Council. Interest on these balances is paid to the Authority. The investments have an amortised cost at 31 March 2020 equal to their nominal value.

## 12 Creditors

	2019/20	2018/19 Restated
	£000	£000
Goods and services creditors	5,020	4,106
PAYE/NI	854	964
Local taxation creditors	1,942	1,907
Other creditors	1,158	871
Receipts in advance	1,278	249
	<u>10,252</u>	<u>8,097</u>

## 13 Provisions

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

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

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

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	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Balance at 1 April	502	434	22	22	758	628	1,282	1,084
Amounts utilised	(64)	(38)	-	-	-	-	(64)	(38)
Unused amounts reversed	(93)	(41)	-	-	-	-	(93)	(41)
Additional provision	178	147	-	-	278	130	456	277
Balance at 31 March	<u>522</u>	<u>502</u>	<u>22</u>	<u>22</u>	<u>1,036</u>	<u>758</u>	<u>1,580</u>	<u>1,282</u>

## 14 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2019/20 £000	2018/19 £000
Finance Lease Liability	115	154
PFI Liability (see note 14)	13,202	13,575
PFI Contractor Loan (see note 14)	60	65
Pension Liability (see note 15)	812,676	864,889
	<u>826,053</u>	<u>878,683</u>

## 15 PFI Schemes

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

### PFF Lancashire Limited

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

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

Under the contract PFF Lancashire Limited made a contribution of £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority's accounts. At 31 March 2020 the total outstanding loan was £0.065m (2018/19: £0.070m).

### Balfour Beatty Fire and Rescue NW Limited

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

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

### All PFI Schemes

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

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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 2020 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	Government Subsidy
	£000	£000	£000	£000	£000
Payable in 1 year	731	373	1,340	2,444	1,734
Payable within 2-5 years	3,132	1,862	5,073	10,067	6,935
Payable within 6-10 years	4,427	3,575	5,214	13,216	8,668
Payable within 11-15 years	4,273	4,538	3,322	12,133	7,683
Payable within 16-20 years	2,384	3,226	964	6,574	4,119
Total	14,947	13,575	15,914	44,435	29,139

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:

	2019/20 £000	2018/19 £000
Balance outstanding at the start of the year	13,917	14,231
Payments during the year	(342)	(314)
Balance outstanding at year end	13,575	13,917

## 16 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

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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	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost of Services:</b>				
• Current service cost	2,067	1,801	15,970	10,660
• Administrative expenses	33	26	-	-
• Past service cost	242	434	350	32,970
	<b>2,342</b>	<b>2,261</b>	<b>16,320</b>	<b>43,630</b>
<b>Financing and Investment Income and Expenditure:</b>				
• Interest cost	1,659	1,625	20,950	20,100
• Interest on scheme assets	(1,479)	(1,449)	-	-
	<b>180</b>	<b>176</b>	<b>20,950</b>	<b>20,100</b>
<b>Total post employment benefit charged to the deficit on provision of services</b>	<b>2,522</b>	<b>2,437</b>	<b>37,270</b>	<b>63,730</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>				
• Actuarial (gains) and losses	(2,424)	(1,156)	(66,370)	21,040
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>98</b>	<b>1,281</b>	<b>(29,100)</b>	<b>84,770</b>
<b>Movement in reserves statement</b>				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	483	(726)	51,730	(63,900)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	(581)	(555)	-	-
Net retirement benefits payable to pensioners	-	-	(22,630)	(20,870)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 £14.657m (2018/19: £16.511m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 63.

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

#### Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Opening balance at 1 April	(69,436)	(62,839)	(857,236)	(793,336)
Current service cost	(2,068)	(1,801)	(15,680)	(10,500)
Interest on liabilities	(1,659)	(1,625)	(20,950)	(20,100)
Contributions by scheme participants	(392)	(371)	(3,310)	(3,240)
Remeasurements (liabilities):				
Experience (gain)/loss	(856)	-	4,600	900
Gain/(Loss) on financial assumptions	1,454	(3,808)	35,670	(21,940)
Gain/(Loss) on demographic assumptions	2,567	-	26,100	-
Benefits/transfers paid	1,529	1,441	25,650	23,950
Past service cost	(242)	(434)	(350)	(32,970)
Closing balance at 31 March	(69,102)	(69,436)	(805,506)	(857,236)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Opening balance at 1 April	61,783	55,910	-	-
Interest on scheme assets	1,479	1,449	-	-
Remeasurements (assets)	(741)	4,964	-	-
Administrative expenses	(33)	(26)	-	-
Employer contributions	581	556	22,340	20,710
Contributions by scheme participants	392	371	3,310	3,240
Benefits paid	(1,529)	(1,441)	(25,650)	(23,950)
Closing balance at 31 March	61,932	61,783	-	-

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 £0.507m (2018/19: gain of £6.239m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2020 is a gain of £0.219m (2018/19: cumulative gain of £0.287m).

**Scheme history**

	2019/20	2018/19	2017/18	2016/17	2015/16
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(69,102)	(69,436)	(62,839)	(62,912)	(49,267)
Firefighters Pension Scheme	(805,506)	(857,236)	(793,336)	(788,856)	(666,356)
Fair value of assets in LGPS	61,932	61,783	55,910	54,025	44,027
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(7,170)	(7,653)	(6,929)	(8,887)	(5,240)
Firefighters Pension Scheme	(805,506)	(857,236)	(793,336)	(788,856)	(666,356)
Total	(812,676)	(864,889)	(800,265)	(797,743)	(671,596)

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, £812.676m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £691.437m (2018/19: £746.754m). However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- Any surplus/deficit on the Local Government Pensions scheme will be recovered by annual repayments from/to the fund, as assessed by the scheme actuary, throughout the agreed surplus recovery period. Although the year end deficit above shows a £7m deficit, the latest actuarial



valuation was actually a surplus of £9.7m as at 31 March 2019, which is being recovered by annual receipts of £0.8m from the pension fund.

- Finance is only required to be raised to cover fire fighter pensions when the pensions are actually paid.

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

	Local Government Pension Scheme*	Firefighters' Pension Scheme**	Total
	£000	£000	£000
Estimated contributions	1,420	7,069	8,489

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

\*\* Firefighters contributions are partly funded by £3.1m government grant

### Basis for Estimating Assets and Liabilities

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

The Firefighters' Scheme has been assessed by GAD (the Government Actuarial Department), an independent firm of actuaries. Estimates for the Firefighters pension scheme are based on a 'roll forward approach' which updates the last full valuation on 31 March 2016, taking account of any significant changes since this. The figures include an estimate of the potential increase in liabilities as a result of the recent legal action surrounding the transitional protection arrangements – see note 19 Contingent Liabilities for more details.

The Local Government Fund liabilities have been assessed by Mercer Resource Consulting Limited, an independent firm of actuaries. Estimates for the LGPS are based on a 'roll forward approach' which updates the last full valuation as at 31 March 2019, taking account of any significant changes since this. The LGPS figures also include a past service cost in relation to a potential increase in liabilities as a result of the recent legal action surrounding the transitional protection arrangements – see note 19 Contingent Liabilities for more details.

The principal assumptions used by the actuary have been:

	NWFC Local Government Pension Scheme		LCFA Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	21.2	22.3	22.3	22.8	21.3	22.0
Women	23.6	24.5	25.0	25.5	21.3	22.0
Longevity at 65 for future pensioners:						
Men	21.9	23.9	23.8	25.1	23.0	23.9
Women	25.0	26.5	26.8	28.2	23.0	23.9
Rate of CPI inflation	1.80%	2.40%	2.10%	2.20%	2.00%	2.35%
Rate of increase in salaries	2.50%	2.70%	3.60%	3.70%	4.00%	4.35%
Rate of increase in pensions	1.80%	2.40%	2.20%	2.30%	2.00%	2.35%
Rate for discounting scheme liabilities	2.30%	2.50%	2.40%	2.40%	2.25%	2.45%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	50%

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

	Quoted in active market	Assets at 31 March 2020		Assets at 31 March 2019	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	997	1.6	1,094	1.8
Bonds	Y	2,688	4.3	3,876	6.3
Property	N	1,040	1.7	5,726	9.3
Cash/Liquidity	N	863	1.4	395	0.6
Other	N	56,344	91.0	50,692	82.0
		<u>61,932</u>	<u>100.0</u>	<u>61,783</u>	<u>100.0</u>

### History of experience gains and losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020:

<b>Local Government Pensions Scheme (LGPS) inc NWFC:</b>	2019/20	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%
Experience Gains and losses on assets	1.2	8.0	1.0	12.3	1.3
Gains and losses on liabilities	(4.6)	(5.5)	4.2	16.6	(6.2)
<b>Firefighters Pension Scheme:</b>	2019/20	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(8.2)	2.5	(0.9)	14.4	(4.8)
<b>Total of LGPS and Fire Pension Schemes:</b>	2019/20	2018/19	2017/18	2016/17	2015/16
	%	%	%	%	%
Experience Gains and losses on assets	1.2	8.0	1.0	12.3	1.3
Gains and losses on liabilities	(8.0)	1.9	(0.6)	14.6	(4.9)

**17 Usable Reserves**

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

	2019/20		2018/19 Restated	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(6,350)		(6,518)
Earmarked Reserves	(3,344)		(3,607)	
PFI Equalisation Reserve	<u>(4,483)</u>		<u>(4,413)</u>	
Total Earmarked Reserves		(7,827)		(8,020)
Total Revenue Reserves		<u>(14,177)</u>		<u>(14,538)</u>
Capital Reserves:				
Capital Funding Reserve		(17,583)		(17,393)
Capital Grants Unapplied		(438)		(605)
Usable Capital Receipts		(1,663)		(1,649)
Total Usable Reserves		<u>(33,861)</u>		<u>(34,186)</u>

**18 Transfers (to)/from Earmarked Reserves**

	Balance at 31.3.18 Restated	Transfers in 2018/19 Restated	Transfers out 2018/19 Restated	Balance at 31.3.19 Restated	Transfers in 2019/20	Transfers out 2019/20	Balance at 31.3.20
General fund	(6,392)	(126)	-	(6,518)	(118)	286	(6,350)
Earmarked Reserves	(3,556)	(240)	189	(3,607)	(727)	990	(3,344)
PFI Equalisation Reserves	<u>(4,327)</u>	<u>(125)</u>	<u>40</u>	<u>(4,413)</u>	<u>(140)</u>	<u>70</u>	<u>(4,483)</u>
Total Earmarked Reserves	(7,884)	(365)	229	(8,020)	(867)	1,060	(7,827)
Capital funding reserve	(17,745)	-	352	(17,393)	(1,049)	860	(17,582)
Capital grants unapplied	(121)	(563)	79	(605)	(417)	584	(438)
Usable capital receipts	(1,582)	(68)	-	(1,649)	(14)	-	(1,663)
Total Usable Reserves	<u>(33,724)</u>	<u>(1,122)</u>	<u>660</u>	<u>(34,186)</u>	<u>(2,465)</u>	<u>2,790</u>	<u>(33,861)</u>

## 19 Unusable Reserves

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

	2019/20 £000	2018/19 £000
Revaluation Reserve	(46,544)	(43,925)
Capital Adjustment Account	(39,325)	(38,461)
Pensions Reserve	812,676	864,889
Collection Fund Adjustment Account	(589)	(496)
Accumulated Absences Adjustment Account	811	764
<b>Total Unusable Reserves</b>	<b>727,029</b>	<b>782,771</b>

### Revaluation Reserve

	2019/20 £000	2018/19 £000
Balance at 1 April	(43,925)	(40,862)
Upward revaluation of assets	(5,967)	(6,706)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	1,727	2,167
Difference between fair value depreciation and historical cost depreciation	1,595	1,476
Amount written off to the Capital Adjustment Account	26	-
	<b>(46,544)</b>	<b>(43,925)</b>

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

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

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

### Capital Adjustment Account

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

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

	2019/20		2018/19	
	£000	£000	£000	£000
Balance at 1 April		(38,461)		(38,641)
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	2,315		2,328	
• Revaluation losses on Property, Plant & Equipment	148		465	
• Amortisation of intangible assets	135		134	
		<u>2,598</u>	<u>2,927</u>	
Disposal of assets via the Comprehensive Income & Expenditure Statement		-		-
Adjusting amounts written out of the Revaluation Reserve		(26)		-
Net amount written out of the cost of non-current assets consumed in the year		<u>2,572</u>		<u>2,927</u>
Capital financing applied in the year:				
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-		-	
• Statutory provision for financing of capital investment charged against General Fund	(386)		(335)	
• Voluntary provision for financing of capital investment charged against General Fund	(189)		(2)	
• Use of capital reserves to fund expenditure	(860)		(352)	
• Use of earmarked reserves to fund expenditure	-		(28)	
• Capital expenditure charged to General Fund Balance	(2,000)		(2,030)	
		<u>(3,435)</u>	<u>(2,747)</u>	
Balance as at 31 March		<u>(39,325)</u>		<u>(38,461)</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.

	2019/20	2018/19
	£000	£000
Balance at 1 April	864,889	800,264
Actuarial (gains) or losses on pensions assets and liabilities	(68,795)	19,884
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	39,793	66,166
Net payments to pensioners payable in the year	(22,630)	(20,870)
Employers pension contributions	(581)	(555)
	<u>812,676</u>	<u>864,889</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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(474)	(601)	(23)	(103)	(496)	(704)
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	88	127	-	-	88	127
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	-	-	(181)	80	(181)	80
Balance at 31 March	<u>(386)</u>	<u>(474)</u>	<u>(203)</u>	<u>(23)</u>	<u>(589)</u>	<u>(496)</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.

	2019/20	2018/19
	£000	£000
Balance at 1 April	764	813
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	47	(49)
Balance at 31 March	811	764

**20 Contingent Liability**

Municipal Mutual Insurance Limited

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

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

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

Norman v Cheshire Fire & Rescue Service/Pensionability of allowances

Following on from the "Norman vs Cheshire" case a review of allowances paid to staff working certain duty systems was carried out to determine if they should be pensionable. Although the Service has not concluded an agreement with the trade union, following a subsequent court decision (Smith v Mid and West Wales Fire Authority) clarifying some of the detail, we have determined that certain allowances are pensionable and are implementing these arrangements with effect from 1/6/20.

The Authority is attempting to resolve this issue via the collective bargaining arrangements, but this has not yet been concluded. Pending the outcome of this we have included an estimate of £0.6m for potential backdating to April 2019, and a prior period adjustment of £1.8m to reflect the potential for this to go back 6 years. However until such time as agreement is reached, and the final costs are known, we have not included this in the Fire-fighters pension scheme liabilities.

Firefighters Pension Scheme Transitional protection arrangements (McCloud / Sargeant)

Claims have been made in relation in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court

of Appeal ( McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes. This would lead to an increase in Firefighters Pension Scheme liabilities and our actuaries (The Government Actuarial Department (GAD)) using specific assumptions and applying these across the Firefighters schemes reflected this in the IAS19 disclosure (note 15) as a Past Service Cost in 2018/19. The actuaries have highlighted that this estimate is based on one potential remedy and that the figures are highly sensitive to assumptions around short term earnings growth. HM Treasury published a consultation on the remedy in July 2020, the effect of which was to reduce the overall Firefighters pension scheme liability by £4.1m from the amount included in the unaudited accounts.

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

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

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

With regard to the LGPS a similar adjustment to past service costs within the IAS19 disclosure (note 15) was made in 2018/19 for the McCloud judgement. The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement, once fully known, will be measured through the pension valuation process, which determines employer and employee contribution rates.

#### Local Government Pension Scheme (LGPS) - The Brewster Judgement

The Supreme Court ruled that a particular regulation requiring a signed nomination form from a member of the Northern Ireland Local Government Pension Scheme, in order to entitle an unmarried partner to survivor benefits in the scheme was unlawful (the Brewster judgement). The Government will consider what, if any, implications this ruling may have for other public service pension schemes. No allowance has been made for any potential cost implications in the scheme that may arise from the judgement.

## **21 Post Balance Sheet Events**

The Treasurer approved the unaudited accounts on 14 July 2020, however on 16 July 2020 HM Treasury published a consultation on the proposed remedy for the McCloud / Sargeant case. The details contained in the consultation led to a recalculation of the past service costs recognised in the unaudited accounts, reducing the overall FF pension liability by £4.1m. As the consultation was a clarification of a situation that existed prior to the date of issue, the accounts were updated for this amendment.

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

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

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



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

### Credit Risk

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

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

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

### Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.006m of the £0.176m 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 £0.005m and which is considered sufficient for this purpose.

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

	2019/20 £000	2018/19 £000
0 to 30 days	170	165
31 to 60 days	-	10
61 to 90 days	-	1
91 to 180 days	5	1
Over 180 days	1	-
	<u>176</u>	<u>177</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.

The maturity profile of our remaining debt is shown in the table below.

Value of PWLB loans maturing in future years	
As at 31 March 2020	
Year	Loan value £000
2036	650
2037	650
2038	700
Total	2,000



### **Market risk**

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

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

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

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

Our financial assets are the cash deposits placed in a call account with Lancashire County Council. Interest received on them is linked to the base rate. Each working day the balance on the Authority's Call Account is invested to ensure that the interest received on surplus balances is maximised. The average balance within this account throughout the year was £25.8 million and, with no change in that level of balances, a 1% increase in the market rate of interest, if sustained over the whole year would give rise to additional interest earned of £258,000 and a 1% fall would give a reduction of the same amount.

### **23 Local Authority Controlled Company – NW FireControl Limited**

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

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

An assessment for Group Accounting requirements has taken place during 2019/20 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement, and on this basis, the Authority's 25% share of the transactions and balances of NW FireControl Limited have been recognised within the accounts.

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

Key Information	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Total assets less Current Liabilities	311	304
Net assets*	(2,349)	(3,953)
(Loss) Before Taxation	(594)	(411)
(Loss) After Taxation	(594)	(417)
Debtor Balance (LFRS)	-	-
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,191	1,175
Invoices raised by LFRS to NW FireControl	-	-

\*Net assets includes the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries.

All figures are shown net of VAT.

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

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2020 for the final audited 2019/20 accounts.

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

	2019/20	2018/19 Restated
	£000	£000
Depreciation	3,911	3,803
Impairment & downwards valuations	148	465
Amortisation	135	134
Increase/(decrease) in provisions	298	198
Increase/(decrease) in creditors	2,410	(297)
(Increase)/decrease in debtors	936	1,023
(Increase)/decrease in stock	1	(10)
Movement in pension liability	16,581	44,741
	<u>24,150</u>	<u>50,057</u>

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

	2019/20	2018/19
	£000	£000
Interest received	184	181
Interest paid	(1,439)	(1,457)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy note 30, section j)

**26 Reconciliation of liabilities arising from financing activities -**

	Long Term borrowings £000	Short Term borrowings £000	Lease liabilities £000	Total £000
1 April 2019	15,575	342	190	16,107
Cash flows:				
Repayment	(373)	31	(37)	(379)
Proceeds	-	-	-	-
Non-cash:				
Acquisition	-	-	-	-
31 March 2020	15,202	373	153	15,728

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

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

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment  Carrying value £99.2m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.
Property, Plant & Equipment  Carrying value £99.2m	The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets. As at the valuation date, RICS consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The emphasis is on the current degree of uncertainty, rather than adjusting those valuations.	The majority of the Authorities Property assets are valued under the Depreciated Replacement Cost (DRC) method, as specialised assets. There is the possibility that DRC valuations will increase due to shortages of raw materials and labour. It is estimated that a 1% increase in DRC valuations would increase the assets values by £0.9m.
Fair Value Measurements – PFI schemes  Carrying value (£13.6m)	When the fair values of financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using the Discounted Cash Flow (DCF) model.	The Authority uses the DCF model to measure the fair value of its PFI liabilities.  Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.6m.

<p>Pension Liability</p> <p>Carrying value (£812.7m)</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to each scheme.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured as follows: A 0.1% increase in these assumptions has the following effect on the net pension liability:</p> <ul style="list-style-type: none"> <li>• Discount rate – decrease of £15.8m</li> <li>• Inflation rate – increase of £13.1m</li> <li>• Pay growth – increase of £2.0m</li> </ul> <p>A 1 year increase in life expectancy will increase the net pension liability by £6.6m.</p>
<p>Fire-fighters Pension Liability &amp; LGPS Liability</p> <p>Carrying value (£812.7m)</p>	<p>Estimate of the impact on future liabilities arising from the potential remedy awarded to affected employees relating to the McCloud/Sargeant judgement.</p>	<p>Past service costs were recognised in 2018/19 (see Note 15), however these are based on one potential remedy and are very sensitive to the assumptions made. The past service cost recognised in the 2019/20 accounts has been updated to reflect the details contained within the HM Treasury consultation on the McCloud/Sargeant remedy. Full details can be seen in note 19 Contingent Liabilities.</p>
<p>Local Government Pension scheme Assets</p> <p>Carrying value £61.9m</p>	<p>The pension fund assets are subject to the same material valuation uncertainty as our Property, Plant &amp; Equipment assets reported above, therefore we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The emphasis is on the current degree of uncertainty, rather than adjusting those valuations.</p>	<p>Both the direct and indirect property assets held by the Lancashire Pension Fund carry a risk that these assets may be over / understated in the accounts. Full details can be found within the Lancashire Pension Fund annual report 2019-20.</p>

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

## 28 Accounting Standards issued but not yet adopted

For 2019/20 the following accounting policy changes that need to be reported relate to:

- IFRS 16 Accounting for leases is anticipated to have a non-material impact on the Authority's Accounts. This standard, however, has been deferred from 2020/21 to 2021/22 due to pressures on Local Government due to the Pandemic. The only assets deemed affected by standard would be three leased properties which we cannot reliably measure the value of. These properties will be valued in 2020/21 to provide a more accurate position.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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

## 29 Expenditure and Income Analysed by Nature

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

	2019/20	2018/19
	£000	Restated £000
Expenditure		
Employee benefits expenses	42,582	67,716
Other services expenses	12,850	13,925
Support service recharges	-	4
Depreciation, amortisation and impairment	4,194	4,402
Interest payments	22,611	21,755
Gain on disposal of fixed assets	(14)	(68)
Total expenditure	82,203	107,733
Income		
Fees, charges and other service income	(7,528)	(5,666)
Interest and investment income	(332)	(358)
Income from council tax and business rates	(54,653)	(44,845)
Government grants and contributions	(2,072)	(10,771)
Total Income	(64,585)	(61,640)
Deficit on the provision of services	17,618	46,094

## 30 Critical Judgements

### McCloud/Sargeant Judgement

In updating the Firefighters pension liability for the HM Treasury consultation details, the Authority has made a critical judgement that the consultation publication was an adjusting Post Balance Sheet event (see note 20).

### Norman v Cheshire Fire & Rescue Service/Pensionability of allowances

The Authority has accrued for the backdating of employers pension contributions following the high court ruling in March 2019. Whilst negotiations with the Fire Brigades Union on the extent of any backdating have not yet concluded the accounts allow for 6 years potential backdating.

## 31 Accounting Policies

### a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 – 2019/20, supported by International Financial Reporting Standards (IFRS).

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

### b Accruals of income and expenditure

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

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

**c Cash & cash equivalents**

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

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

**d Charges to Revenue for Non-Current Assets**

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

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

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



**e Employee Benefits**

**Benefits Payable During Employment**

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

**Post Employment Benefits**

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

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

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

The Firefighters' Scheme

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

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

In calculating the liability for 2019/20, the actuary based the valuation on a roll forwards approach.

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

The Local Government Pension Scheme

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

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

In calculating the liability for 2019/20, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2019/20, the actuaries used fair value basis for both derivatives and investments.

**f Financial Liabilities**

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

**g Financial Assets measured at amortised cost**

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

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

**h Government Grants & Contributions**

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

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

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

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

**i Non Current Assets**

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

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

i) Recognition

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

ii) Measurement

Land and buildings are revalued on a rolling five year basis by a suitably qualified surveyor. As at 31 March 2019, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, carried out revaluations on the identified properties. All valuations are on the basis of depreciated replacement cost, with the exception of one property used as offices, valued at Existing Use Value.

All other Non current assets are valued at historic cost.

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

iii) Impairment

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

iv) Disposals

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

v) Depreciation

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

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

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

vi) Componentisation

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

vii) Derecognition

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

viii) Non Current Assets Held for Sale

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

**j Private Finance Initiative (PFI) and similar contracts**

Current status

The Authority has two existing PFI arrangements:

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

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

Accounting for PFI

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

Recognition of assets and liabilities

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

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

Minimum Revenue Provision (MRP)

Assets acquired under a PFI that are recognised on the balance sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP are

calculated in accordance with the appropriate regulations and statutory guidance. MRP is equal to that element of the unitary charge which is applied to repay the outstanding liability.

### Unitary Payment

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

### Deductions from the Unitary Payment

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

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

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

## **k PFI Equalisation Reserve**

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

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

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

## **l Provisions**

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

**m Reserves**

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

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

**n Contingent liabilities**

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

**o Going Concern**

These accounts are prepared on a going concern basis, on the assumption that the Authority's functions will continue in operational existence for the foreseeable future. We anticipate a budgetary underspend during 2020/21, due to scaled back non-emergency operations as a result of the pandemic. In addition, the potential impacts of both Brexit and the Fair Funding review uncertainties were included in the assessment of reserves levels carried out for the 2021 budget setting exercise concluded in February 2020, and are not considered to have changed significantly at this time.

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

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

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

**FIRE FIGHTERS PENSION FUND ACCOUNT AND NET ASSETS STATEMENT**

<b>Fund Account</b>	2019/20 Total £000	2018/19 Total £000
<b>Income to the fund</b>		
<b>Contributions receivable:</b>		
- From employer		
- contributions in relation to pensionable pay	(6,889)	(3,699)
- other contributions	(297)	(266)
- Members contributions	(3,022)	(3,074)
<b>Transfers in:</b>		
- Individual transfers from other schemes	(309)	(168)
<b>Total Income to the Fund</b>	<b>(10,517)</b>	<b>(7,207)</b>
<b>Spending by the fund</b>		
<b>Benefits payable:</b>		
- Pension payments	20,436	19,297
- Commutations of pensions and lump-sum retirement benefits	4,735	4,418
<b>Transfers out:</b>		
- Individual transfers out to other schemes	-	3
- Refunds of contributions	2	-
<b>Total Spending by the fund</b>	<b>25,174</b>	<b>23,718</b>
<b>Net amount receivable for the year before top up grant receivable from central government</b>	<b>14,657</b>	<b>16,511</b>
Top up grant receivable from central government	(14,657)	(16,511)
<b>Net amount receivable for the year</b>	<b>-</b>	<b>-</b>
<b>Net Assets Statement</b>	2019/20 £000	2018/19 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(4,156)	(3,765)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	4,156	3,765
<b>Net current assets at the end of the year</b>	<b>-</b>	<b>-</b>

Lancashire Combined Fire Authority  
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**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 2020 the Authority is owed £4.156m (2018/19: £3.765m) by the Home Office in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long term pension obligations can be found in the Authority's main statements, and also note 15 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

The note has been prepared in line with general accounting policies set in Note 30 – accounting policies, in particular section e.

#### Contribution Rates

Under the firefighters pension regulations the contribution rates during 2019/20 were as follows:

- for the 1992 scheme were circa 51.5% on average of pensionable pay (37.3% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2006 scheme were circa 37.8% on average of pensionable pay (27.4% for employers and between 9.4% and 10.9% for employees dependent on salary)
- for special members of the 2006 scheme were circa 51.5% of pensionable pay (37.3% for employers and between 11% and 14.7% for employees dependent on salary)
- for the 2015 scheme were circa 41.0% on average of pensionable pay (28.8% for employers and between 10.5% and 14.5% for employees dependent on salary)

These contribution levels are set nationally by the Government, and are subject to triennial revaluations by the Government Actuary's Department. Three ill health retirements were recognised during 2019/20, and four in 2018/19.

#### Benefits Paid

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

#### Home Office Grant

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

#### Future Liabilities

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



## GLOSSARY OF TERMS

### **Accrual**

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

### **Amortised cost**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

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

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

### **Creditors**

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

### **Debtors**

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

### **Fair Value**

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

### **Financial Instrument**

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

**Financial Year**

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

**Financing Charges**

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

**Premiums and Discounts**

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

**Public Works Loan Board (PWLB)**

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

**Revenue Contribution to Capital Outlay**

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

**Revenue Expenditure**

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