



# STATEMENT OF ACCOUNTS

2020/21

# LANCASHIRE COMBINED FIRE AUTHORITY

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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 2020/21
- 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 2021 (referred to as 2020/21). It has been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. 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 2020/21, 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 2021, including the level of balances and reserves at the Fire Authority's disposal, its long term indebtedness and the value of the assets held by the Fire Authority.

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

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

## Review of the Year

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

In 2020 we faced 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, and latterly with the roll out of the vaccine. Within the sector Lancashire has been at the forefront of these activities, with over 300 staff volunteering to support the delivery of over 350,000 vaccinations.

In 2018/19 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook its first independent inspection of the Service. Lancashire was 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. A second round of inspections is anticipated in 2021/22, and we remain focussed on continuous improvement with progress being made in improving protection services, identifying high potential staff and aspiring leaders and prioritising our risk-based inspection programme.

As a result of the pandemic Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook a thematic review of the Fire Sectors, and individual authorities, response to the crisis. Whilst no overall rating is provided the report stated *"In summary, the service adapted and responded to the pandemic effectively. It used on-call and wholetime firefighters to respond to emergencies, and it gave additional support to the community during the first phase of the pandemic. Prevention and protection staff made home fire safety visits to the most vulnerable people and businesses. They used appropriate personal protective equipment (PPE) for these visits. This meant the people of Lancashire were well supported throughout the pandemic. The service was able to effectively deal with some significant incidents, such as wildfires and flooding, during this period."*

The Authority recruited 43 new whole-time firefighters and 32 new on call firefighters, of which 13% were female and 4% were from a BME background.

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.

2020/21 activity has increased marginally to 17,334 incidents, and the number of accidental dwelling fires increased by 58 from the previous year. Deliberate dwelling fires reduced to 105. A total of 811 gaining entry incidents were undertaken in 2020/21, broadly the same as the previous year.

### The 2020/21 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.

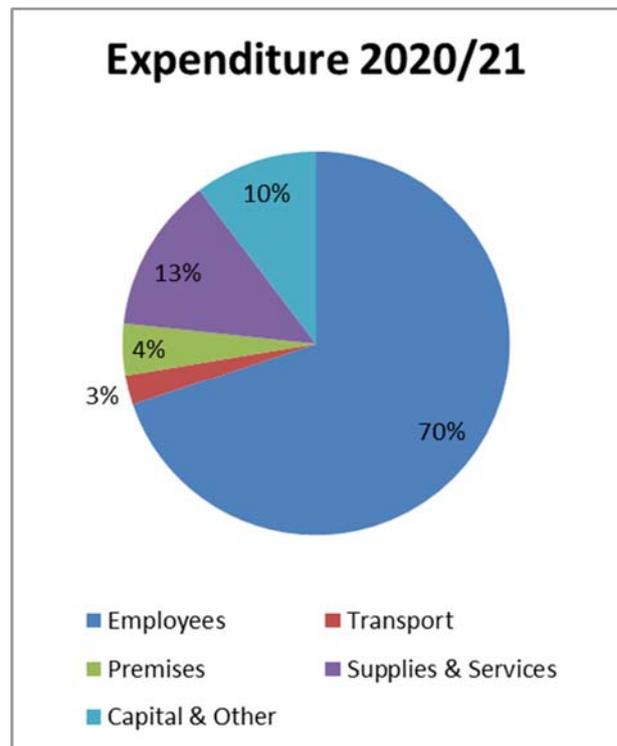
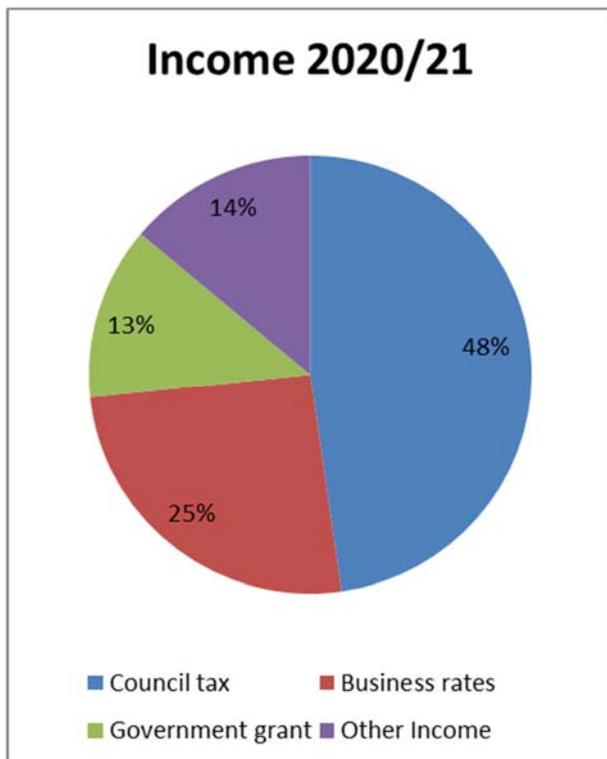
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- 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

Despite an increase in Government funding of £0.4m, the Authority had to identify efficiencies of £0.8m and a potential draw down of £0.4m reserves in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £57.3m, an increase of just over 2%, and a council tax of £70.86. This represented a 1.99% increase in council tax, in line with the referendum limit. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

The net revenue position shows an overall underspend of £0.4m, with the main variances relating to vacant posts, as early leavers/retirements have outstripped budgetary allowances, which is partly offset by increased capital financing costs associated with changes to the capital programme. This has negated the need for any drawdown from reserves to support the budget.

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



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

<b>SofA forward spend analysis</b>			
Spend/Income type	£000		
	Budget	Spend	(Under)/ over spend
Employees: pay costs	45,885	45,228	(657)
Other employee related costs	1,114	1,030	(84)
Premises	2,910	2,900	(10)
Transport	2,073	1,678	(395)
Supplies & services	8,828	8,617	(211)
Capital financing costs & other	5,825	6,814	989
<b>Total Expenditure</b>	<b>66,635</b>	<b>66,268</b>	<b>(367)</b>
Other Income	(9,296)	(9,253)	43
<b>Budget requirement</b>	<b>57,340</b>	<b>57,015</b>	<b>(324)</b>
Funded by:			
Council tax	(31,813)	(31,813)	-
Business rates	(17,003)	(17,041)	(38)
Government grant	(8,524)	(8,524)	-
	<b>(57,340)</b>	<b>(57,378)</b>	<b>(38)</b>
<b>Net Underspend</b>	<b>-</b>	<b>(363)</b>	<b>(363)</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 18.

	£m
Revenue Outturn	(0.363)
Transfer to DFM Earmarked reserve	0.015
Transfer for Capital Funding reserve	0.348
Recognise 25% share in North West FireControl Limited	(0.113)
Accounting for pensions under IAS19	13.584
Revenue Contributions to Capital Outlay	(2.491)
Adjustments between accounting basis and funding basis under regulations	4.663
Deficit on the provision of services	<b>15.643</b>
Surplus on revaluation of non-current assets	(2.523)
Actuarial loss on pensions assets and liabilities	61.444
<b>Total Comprehensive Income and Expenditure</b>	<b>74.564</b>

As the Authority's current general fund balance stands at £6.0m and given the scale of the capital programme the revenue underspend of £0.4m has been transferred into the capital funding reserve, reducing future borrowing requirement. The Authority's (excluding North West FireControl) general fund balance therefore remains at £6.0m within the target level identified by the Treasurer (a minimum of £3.5m and a maximum of £10.0m). (Note the General Fund Balance including our share of North West FireControl general reserves is £6.5m.) 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 2021/22 budget, shows over £4m of this reserve being used to balance the anticipated revenue budget funding gap by 2026.

The Authority also holds an additional £10.8m of earmarked revenue reserves and £19.6m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy, reducing to zero in 2025/26. 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 £2.7m, as set out below:-

	Spend
Vehicles	
<ul style="list-style-type: none"> <li>• Pumping Appliances – completion of stage payments for 7 Pumping Appliances from the 2018/19 capital programme</li> <li>• Operational Support Vehicles – various support vehicles, such as vans and cars</li> </ul>	<p>£0.3m</p> <p>£0.4m</p>
Buildings	
<ul style="list-style-type: none"> <li>• Training Centre – STC Workshop</li> <li>• South Shore Fire Station refurbishment &amp; extension</li> </ul>	<p>£1.7m</p> <p>£0.3m</p>
<b>Total</b>	<b>£2.7m</b>

The Balance Sheet shows that the Authority's Total Net Liabilities have increased to £768m. 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 £888m 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 19.

Long term assets have increased slightly in value to £110m, reflecting the increase in long term investments.

### Future Financial Plans

Due to economic uncertainty the anticipated 4 year Spending Review was reduced to a single year review, covering 2021/22, with a new Spending Review planned for next year. This is anticipated to cover 2022-2025. This year should also have seen the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, however given current pandemic and economic uncertainty both of these have been put on hold for at least a further 12 months. As a result the 2021/22 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 0.19%.

The Authority has plans to deliver £0.2m of cashable efficiencies in 2021/22 but these are more than offset by increased costs associated with the need to build additional capacity into support departments and the additional costs associated with the increase in Firefighter numbers following ongoing recruitment campaigns. Overall these changes result in a revenue budget of £58.5m. However in order to deliver a council tax increase within the referendum limit (2%) the Authority needed to either identify further savings or utilise reserves of £0.3m, resulting in a net revenue budget requirement is £58.2m, an increase of 1.5%, resulting in a council tax of £72.27, an increase of 1.99%. It should be noted that no allowance was built in for pay awards in 21/22, following the government announcement for an intended public sector pay freeze. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

Given economic uncertainty, particularly surrounding the Covid-19 pandemic, the longer term implications of Brexit, the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we had assumed that the funding will increase broadly in line with inflation, at 1.5% per annum.

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 £44m over the next five years.

We will continue to invest in training assets, with work on-going to provide new workshop/BA training facilities at the Training Centre. We will undertake a more detailed feasibility study on the relocation of 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

Whilst the majority of 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 both Service Headquarters and Preston Fire Station go ahead, over the five years there is a potential shortfall in funding of £11m in the final year of the programme. 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 collection rates, localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pension costs/contributions;
- Significant changes in retirement profiles;
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;

Financial plans will continue to be reviewed in light of the pandemic with particular reference to Council Tax and Business Rates income funding projections.

### **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 2020/21 (the Code).

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

### **Scope of Responsibility**

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

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

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

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

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

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

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

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2021 and up to the date of approval of the 2020/21 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 Service Report;
- A Corporate Programme Board provides oversight across 4 areas:-
  - Business Process Improvement Programme
  - Workforce Development Programme
  - Service Delivery Change Programme
  - Capital Projects Programme.

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

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
  - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
  - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
  - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements
  - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
  - The Appeals Committee -To hear relevant appeals, grievances and complaints
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;
- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
- Comprehensive suite of strategies and policies in place and regularly reviewed
- Codes of Conduct for members and officers, and member/officer protocol, 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 and CIPFAs Financial Management Code;
- 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.
- Changes were made to the way that we work during 2020/21 due to the ongoing impact of the Covid-19 pandemic:-

- Our business continuity arrangements were put in place to ensure the continued delivery of the critical activities of a fire and rescue service
  - Operational staff continued to respond to emergency incidents in the usual way
  - Fire prevention and fire protection activity continued through the pandemic, initially at a reduced level, however it was specifically targeted on those most at risk
  - There was a temporary suspension of some non-emergency functions and secondary activities
  - To support our partner agencies the Service undertook a wide range of additional work
  - All aspects of the service experienced a number of changes to working practices, implemented in order to ensure staff safety during the pandemic, with staff who were able to, working from home
  - As well as work to safeguard the physical health of staff, the Authority recognised the additional pressures imposed by the demands of the pandemic and enhanced support for psychological wellbeing across the whole organisation.
  - These changes were made possible by amending both policy and working practices/processes
  - Relevant Authority/Committee meetings were cancelled between March and May 2020, with the Authority's Urgent Business process being used as required. Virtual meetings recommenced in June 2020 and in person meetings recommenced in June 2021. Member oversight continued throughout the restrictions with regular briefings from officers.
  - The Service was able to manage the additional work and it did not result in any negative effects upon either the operation of the Authority's governance arrangements or our ability to fulfil our statutory functions
- HMICFRS undertook a thematic inspection on the Services response to the COVID-19 pandemic in 2020/21. Whilst no overall rating is provided the report stated *"In summary, the service adapted and responded to the pandemic effectively. It used on-call and wholetime firefighters to respond to emergencies, and it gave additional support to the community during the first phase of the pandemic. Prevention and protection staff made home fire safety visits to the most vulnerable people and businesses. They used appropriate personal protective equipment (PPE) for these visits. This meant the people of Lancashire were well supported throughout the pandemic. The service was able to effectively deal with some significant incidents, such as wildfires and flooding, during this period."*
  - The Annual Service Plan was extended due to the pandemic and now covers 2020/22, 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

- We have undertaken a review of our Constitutional and Procedural Standing Orders, Code of Conduct for Fire Authority Members, The Role of Members and Generic Member Champions Role Description, Members' Allowance Scheme and Member / Officer Relations Protocol.
- We undertook a review of our financial management arrangements against CIPFAs Financial Management Code, which identified that we performed strongly against this and did not identify any significant weaknesses/areas for improvement.
- 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 2020/21 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 2019/20:
  - Financial statements – *"We gave an unqualified opinion on the Authority's financial statements on 30 November 2020."*
  - Value for money conclusion – *"We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020."*
- HMICFRS undertook its first inspection of the Service in 2019/20. 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/ Target Date	Owner
Continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning	The Assurance Monitoring System app has continued to be embedded throughout the service and has now been scaled out to cover a greater breadth of data capture. The back office management solution now includes injection of data feeds from other sources such as HR, P&P MIS and IRS systems to further reduce overhead and increase efficiency, and is currently being modified to enable adoption by other partner agencies after significant interest. There are some smaller pieces of work outstanding in order to complete this	On-going, target date March 22	Head of Digital Transformation

	preparation with our partner, before the solution goes into wider production use across the service		
Performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation	A new appraisal process and form was introduced for all staff in 2019/20.  An on-line tool has been developed, but roll out has been delayed due to Covid 19. This will be launched in 2021/22	Target date March 22	Head of Human Resources
Develop 360-degree assessments for leaders to inform personal development	This was rolled out to leaders in year.	Complete	Head of Human Resources

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

### Significant governance issues

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

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

- An updated IRMP covering the period 2022/27 will be produced
- The outcome of the Staff Survey will be published and, where relevant, acted upon
- A project to replace the existing Performance Management System will commence
- An upgraded Finance system will be implemented in April 2022, as part of that we will review and implement improvements to the monthly budget monitoring process, making greater use of additional functionality provided
- Develop business cases where required to ensure that value for money is evidenced

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

### Approved:



County Councillor D O'Toole,  
Chairman,  
Lancashire Combined Fire  
Authority  
21 July 2021



J Johnston,  
Chief Fire Officer,  
Lancashire Fire and Rescue  
Service  
21 July 2021



K Mattinson CPFA,  
Treasurer,  
Lancashire Combined Fire  
Authority  
21 July 2021

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

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

#### **Opinion on financial statements**

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue

as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, 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.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit

Regulations 2015 and the Local Government Act 2003 and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters' pension fund, the Public Service Pensions Act 2013, The Firefighters' Pension Scheme (England) Regulations 2014 and The Firefighters' Pension Scheme (England) Order 2006.

- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
  - Large and unusual journal entries that impacted the comprehensive income and expenditure statement made during the year and after the balance sheet date: and
  - accounting estimates and critical judgements made by management.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

#### **Responsibilities of the Authority**

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

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

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

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

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in

our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew J Smith, Key Audit Partner  
**for and on behalf of Grant Thornton UK LLP, Local Auditor**  
Manchester  
30 September 2021

## 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 2021.

In preparing this Statement of Accounts, the Treasurer has:

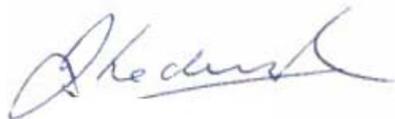
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

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  
28 September 2021



John Shedwick  
Chair of Audit Committee  
28 September 2021

### 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	2020/21			2019/20			
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
	Continuing operations:						
1	Service Delivery	34,637	(1,992)	32,645	35,760	(2,022)	33,738
1	Strategy and Planning	13,238	(823)	12,415	9,065	(489)	8,576
1	People and Development	1,613	(2)	1,611	1,633	-	1,633
1	Corporate Services	4,880	(58)	4,821	5,081	(60)	5,021
1	Fire-fighters Pensions	1,307	(23)	1,285	1,310	(27)	1,283
1	Overheads	6,587	(5,014)	1,574	6,776	(4,930)	1,846
1	Net Cost of Services	62,262	(7,912)	54,350	59,625	(7,528)	52,097
	Gain on disposal of non current assets			(17)			(14)
	Financing & investment income & expenditure						
8	Interest payable and similar charges			1,439			1,461
15	Pensions interest cost and expected return on pensions assets			18,207			21,130
8	Interest receivable and similar Income			(253)			(332)
	Taxation and non-specific grant income						
	Taxation on NW FireControl			-			-
	Council tax			(31,055)			(30,724)
	Revenue Support Grant			(8,523)			-
	Non-domestic rates redistribution			(13,565)			(23,930)
	Capital grant income			(253)			(417)
	Business rates S31 grant			(1,284)			(1,654)
	Business rates S31 grant – additional reliefs			(1,925)			-
	Local taxation Income Guarantees			(132)			-
	Covid relief S31 grant			(1,346)			-
	Deficit/(Surplus) on the provision of services			15,643			17,618
	(Surplus)/Deficit on revaluation of non-current assets			(2,523)			(4,240)
18	Actuarial (gains)/losses on pensions assets and liabilities			61,444			(68,795)
	Other comprehensive income & expenditure			58,921			(73,035)
	Total Comprehensive Income and Expenditure			<b>74,564</b>			<b>(55,416)</b>

### MOVEMENT IN RESERVES STATEMENT 2020/21

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

**MOVEMENT IN RESERVES STATEMENT 2019/20**

	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	-
Net increase/decrease before transfers to earmarked reserves	18,259	-	18,259	-	(167)	14	18,106	(18,106)	-
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)

## BALANCE SHEET

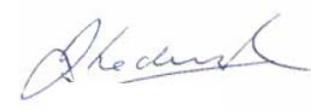
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable reserves are those that 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 2021 £000	At 31 March 2020 £000
	<b>Long Term Assets</b>		
6	Property, Plant & Equipment	99,538	99,314
7	Intangible Assets	639	859
8	Long-Term Investments	10,000	5,000
		<u>110,177</u>	<u>105,173</u>
	<b>Current Assets</b>		
	Inventories	279	237
8	Short Term Investments	5,000	5,000
9	Short Term Debtors	10,885	8,801
10	Cash & Cash Equivalents	22,603	27,922
		<u>38,767</u>	<u>41,960</u>
	<b>Current Liabilities</b>		
8	Other Short Term Liabilities	(452)	(417)
11	Short Term Creditors	(12,621)	(10,252)
		<u>(13,073)</u>	<u>(10,668)</u>
	<b>Long Term Liabilities</b>		
12	Provisions	(1,398)	(1,580)
8	Long Term Borrowing	(2,000)	(2,000)
13	Other Long Term Liabilities	(900,205)	(826,053)
		<u>(903,603)</u>	<u>(829,633)</u>
	<b>Net Liabilities</b>	<u>(767,732)</u>	<u>(693,169)</u>
16	Revenue Reserves	(17,233)	(14,177)
16	Capital Funding Reserve	(17,967)	(17,583)
16	Capital Grants Unapplied Account	(101)	(438)
16	Usable Capital Receipts Reserve	(1,680)	(1,663)
16	<b>Usable Reserves:</b>	<u>(36,980)</u>	<u>(33,861)</u>
18	Revaluation Reserve	(47,400)	(46,544)
18	Capital Adjustment Account	(38,893)	(39,325)
13,15&18	Pension Reserve	887,704	812,676
18	Collection Fund Adjustment Account	2,361	(589)
18	Accumulated Absences Adjustment Account	941	811
18	<b>Unusable Reserves:</b>	<u>804,713</u>	<u>727,029</u>
	<b>Total Reserves</b>	<u>767,732</u>	<u>693,169</u>

These Financial Statements replace the unaudited financial statements authorised by the Treasurer on 20 July 2021.

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 2021 and its income and expenditure for the year then ended.

  
K Mattinson CPFA  
Treasurer to the Combined Fire Authority  
28 September 2021

  
John Shedwick  
Chair of Audit Committee  
28 September 2021

## 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	2020/21		2019/20	
	£000	£000	£000	£000
		(15,643)		(17,618)
Net (deficit)/surplus on the provision of services				
23	Adjustments to net (deficit)/surplus on the provision of services for non-cash movements	17,713		24,150
	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	1,318		1,255
	<b>Net cash flows from Operating Activities</b>	<b>3,388</b>		<b>7,786</b>
	<u>Investing activities</u>			
6&7	Purchase of property plant and equipment & other capital spend	(1,972)		(3,068)
	(Increase)/Decrease in long term deposits	(5,000)		-
	(Increase)/Decrease in short term deposits	-		10,000
24	Receipts from investing activities	98		184
	Net cash flows from investing activities		(6,874)	7,116
	<u>Financing activities</u>			
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(417)		(384)
	Repayment of long term borrowing	-		-
24	Payments for financing activities	(1,416)		(1,439)
	Net cash flows from financing activities		(1,833)	(1,823)
	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,319)</b>	<b>13,081</b>
10	Cash and cash equivalents at the beginning of the reporting period		27,922	14,841
10	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>22,603</b>	<b>27,922</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 Expenditure and Funding Analysis

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

<b>2020/21</b>	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	37,371	-	37,371	(4,726)	32,645
Strategy and Planning	13,241	-	13,241	(826)	12,415
People and Development	1,423	-	1,423	188	1,611
Corporate Services	4,658	-	4,658	163	4,821
Firefighters Pensions	1,285	-	1,285	-	1,285
Overheads	(371)	363	(8)	1,582	1,574
<b>Net cost of Services</b>	<b>57,607</b>	<b>363</b>	<b>57,969</b>	<b>(3,619)</b>	<b>54,350</b>
Other income and expenditure	(57,969)	-	(57,969)	19,262	(38,708)
<b>Surplus on provision of services</b>	<b>(363)</b>	<b>363</b>	<b>-</b>	<b>15,643</b>	<b>15,643</b>
Opening General Fund balance			(6,350)		
Surplus on provision of services			-		
NWFC recognise 25% surplus on provision of services			(113)		
Closing General Fund balance			<u>(6,464)</u>		

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<b>2019/20</b>	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>		

**1a Note to the Expenditure and Funding Analysis**

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

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

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

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

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

## 2 Fire Authority Costs

In 2020/21 Fire Authority costs amounted to £0.268m (2019/20: £0.266m), analysed as follows:

	2020/21	2019/20
	£000	£000
Members allowances/expenses	128	135
Statutory officers	106	91
Others	34	40
	<u>268</u>	<u>266</u>

## 3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,106 full-time equivalent, who have received pay and benefits of more than £50,000 are:

	2020/21	2019/20
	No.	No.
£75,000 - £89,999	3	2
£70,000 - £74,999	1	1
£65,000 - £69,999	5	4
£60,000 - £64,999	1	5
£55,000 - £59,999	29	20
£50,000 - £54,999	32	36
	<u>71</u>	<u>68</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</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>2020/21</b>					
Chief Fire Officer – Justin Johnston	148,480	1,704	150,184	42,762	192,946
Director of Service Delivery – David Russel (1 April 20 – 6 September 20)	59,559	533	60,092	17,153	77,246
Director of Service Delivery – Steve Healey (1 January 21 to date)	34,333	-	34,333	9,888	44,221
Director of Strategy & Planning – Ben Norman	120,617	1,405	122,022	33,346	155,368
Director of People & Development – Robert Warren	106,547	-	106,547	18,220	124,767
Director of Corporate Services – Keith Mattinson	106,547	-	106,547	18,220	124,767
	<b>576,083</b>	<b>3,642</b>	<b>579,725</b>	<b>139,589</b>	<b>719,314</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>2019/20</b>					
Chief Fire Officer – Chris Kenny (1 April 19 – 30 April 19)	13,400	576	13,976	4,998	18,975
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>17,962</b>	<b>620,616</b>	<b>140,642</b>	<b>761,259</b>

\* The 2019/20 allowances have been restated to include the actual amounts reported to HMRC as taxable benefits since the approval of the 2019/20 Statement of Accounts.

### Exit Packages

There were no exit packages in 2020/21 or 2019/20.

### 4 External Auditors Fees

In 2020/21, the Fire Authority paid a total of £0.039m to its external auditors, Grant Thornton (2019/20: £0.034m), as follows:

	2020/21	2019/20 Restated*
	£000	£000
Audit fees – Grant Thornton	39	34

\* The 2019/20 total has been updated to include all variation fees paid in respect of that year.

### 5 Related Parties Transactions

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

#### Central Government

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

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 2. As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

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

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

In none of these cases is there evidence either of control of one party by the other, however material transactions of £0.941m spend with Lancashire County Council requires disclosure in this note. The majority of this sum relates to maintenance of the Authority's vehicle fleet, in addition to services provided under Service Level Agreements.

#### Officers

In 2020/21 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 (£0.421m received from the precepting authority, 2019/20: £0.629m), and council tax

(£2.552m received from the precepting authority, 2019/20 £2.421m), the administration of these is strictly defined by a statutory framework.

## 6 Property, Plant & Equipment

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

### Movements during the Year

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

Movements in Property, Plant and Equipment analysed into their different categories for 2020/21 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 2020	58,991	29,640	23,951	112,582
Additions	2,028	-	626	2,654
Disposals	-	-	(412)	(412)
Impairment losses recognised in the Revaluation Reserve	(1,168)	(431)	-	(1,599)
Impairment losses recognised in the Deficit on the Provision of Services	(767)	-	(15)	(782)
Revaluations	1,730	(9)	-	1,721
As at 31 March 2021	60,814	29,200	24,150	114,164
<b>Depreciation and impairments</b>				
At 1 April 2020	-	-	(13,268)	(13,268)
Depreciation charge for 2020/21	(1,666)	(766)	(1,739)	(4,171)
Disposals	-	-	412	412
Revaluations	1,635	766	-	2,401
As at 31 March 2021	(31)	-	(14,595)	(14,626)
Balance sheet at 31 March 2021	60,783	29,200	9,555	99,538
Balance sheet at 31 March 2020	58,991	29,640	10,683	99,314
<b>Nature of asset holding</b>				
Owned	60,513	-	9,439	69,952
Finance lease	270	-	116	386
PFI	-	29,200	-	29,200
	60,783	29,200	9,555	99,538
Carried at historical cost	-	-	9,540	9,540
Valued at current value as at:				
31 March 2021	60,783	29,200	-	89,983
31 March 2010	-	-	15	15
Total cost or valuation	60,783	29,200	9,555	99,538

On 31 March 2021 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 £4.122m (2019/20: net gain of £5.967m).

The comparative figures detailing the movement during 2019/20:

<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>Total Property, Plant &amp; Equipment £000</b>
<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

### 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.

	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement	13,799	14,374
Capital investment:		
Property, Plant & Equipment*	2,654	2,432
Intangible assets*	2	651
Sources of Finance:		
Capital Reserves	(163)	(860)
Revenue contributions to capital*	(2,493)	(2,223)
MRP	(422)	(575)
Closing Capital Financing Requirement	13,377	13,799
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(422)	(575)
	(422)	(575)

\* Includes NWFC balances

### Details of Assets Held

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

	2020/21	2019/20
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 2021 is £2.632m (2019/20: £0.318m).

## 7 Intangible Assets

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

<b>Movement during</b>	2020/21 £000	2019/20 £000
<b>Cost or valuation</b>		
At 1 April	2,378	2,092
Additions	2	651
Derecognised	-	(365)
As at 31 March	2,380	2,378
<b>Amortisation &amp; impairment</b>		
At 1 April	(1,519)	(1,749)
Amortisation charge for the year	(221)	(135)
Derecognised	-	365
As at 31 March	(1,741)	(1,519)
Balance sheet at 31 March 2021	639	859
Balance sheet at 31 March 2020	859	472

## 8 Financial Instruments

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

### Financial assets – balances

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

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

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

	Long-Term		Current	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Investments	10,000	5,000	5,000	5,000
Cash & cash equivalents	-	-	22,603	27,922
Other trade receivables	-	-	3,415	962

### 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 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Borrowings	2,022	2,022	-	-
PFI and finance lease arrangements	12,925	13,377	452	417
Trade payables	-	-	6,728	6,086

### 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:

	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
<b>Financial Liabilities at amortised cost</b>				
Interest payable relating to PFI	1,342	1,362	-	-
Interest payable relating to Borrowing	90	90	-	-
Interest payable relating to finance leases	7	9	-	-
Total expense in Deficit on the Provision of Services	1,439	1,461	-	-
<b>Financial Assets at amortised cost</b>				
Interest income	-	-	(253)	(332)
Total income in Deficit on the Provision of Services	-	-	(253)	(332)
Net gain/(loss) for the year	1,439	1,461	(253)	(332)

### 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 2021 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 2021		31 March 2020	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	2,000	2,697	2,000	2,725
PFI Liabilities	13,202	17,324	13,575	16,636

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2021 is £2.000 million (2019/20: £2.000m) and it is due for repayment as shown in the following table:

	2020/21 £000	2019/20 £000
Over 10 years	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

## 9 Debtors

	2020/21 £000	2019/20 £000
Trade debtors	3,415	962
VAT	241	215
Local taxation debtors	3,518	3,566
Other debtors	3,710	4,058
	<u>10,885</u>	<u>8,801</u>

## 10 Cash & Cash Equivalents

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

	2020/21 £000	2019/20 £000
Cash held by the Authority	54	54
Cash held by North West FireControl (25% share)	148	462
Call account balance	22,401	27,406
	<u>22,603</u>	<u>27,922</u>

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 2021 equal to their nominal value.

## 11 Creditors

	2020/21	2019/20 Restated*
	£000	£000
Goods and services creditors*	2,905	3,188
PAYE/NI	876	854
Local taxation creditors	4,981	1,942
Other creditors*	3,859	2,990
Receipts in advance	-	1,278
	<u>12,621</u>	<u>10,252</u>

\* The 2019/20 allocations have been revised to correct the categorisations, no change to total creditors.

## 12 Provisions

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

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

The Authority had previously established a provision to meet the potential costs associated with On Call Firefighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms and eligibility to be part of the Firefighters' Pension Scheme, which was subject to negotiation at a national level. The remainder of this provision was reversed during the year as there had been no activity during the preceding financial year.

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

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

	Insurance Liabilities		Part time workers		Business rates appeals		Total	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Balance at 1 April	522	502	22	22	1,036	758	1,580	1,282
Amounts utilised	(33)	(64)	-	-	-	-	(33)	(64)
Unused amounts reversed	(100)	(93)	(22)	-	(237)	-	(359)	(93)
Additional provision	111	178	-	-	99	278	210	456
Balance at 31 March	<u>500</u>	<u>522</u>	<u>-</u>	<u>22</u>	<u>898</u>	<u>1,036</u>	<u>1,398</u>	<u>1,580</u>

### 13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2020/21 £000	2019/20 £000
Finance Lease Liability	75	115
PFI Liability (see Note 14)	12,795	13,202
PFI Contractor Loan (see Note 14)	55	60
Pension Liability (see Note 15)	887,280	812,676
	900,205	826,053

### 14 PFI Schemes

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

#### PFF Lancashire Limited

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

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

Under the contract PFF Lancashire Limited made a contribution of £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority's accounts. At 31 March 2021 the total outstanding loan was £0.060m (2019/20: £0.065m).

#### 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. During 2021/22 Balfour Beatty is selling its' interest in the PFI scheme to BBGI, a company who already operates several PFI schemes in the UK including within the emergency services sector. This change is not anticipated to have any impact on service provision for the Authority. The buildings and any plant installed in them at the end of the contract will be transferred to the Authority for nil consideration. The estimated capital value of the total scheme at the point of financial close was £47.886m, and for the Authority was £12.161m.

#### All PFI Schemes

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

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

Payments remaining to be made under both PFI contracts and Government Subsidies to be received at 31 March 2021 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	Government Subsidy
	£000	£000	£000	£000	£000
Payable in 1 year	759	407	1,316	2,482	1,734
Payable within 2-5 years	3,254	2,032	4,944	10,230	6,935
Payable within 6-10 years	4,601	3,926	4,873	13,400	8,668
Payable within 11-15 years	4,031	4,521	2,894	11,446	7,201
Payable within 16-20 years	1,710	2,316	574	4,600	2,868
<b>Total</b>	<b>14,355</b>	<b>13,202</b>	<b>14,601</b>	<b>42,158</b>	<b>27,406</b>

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

	2020/21 £000	2019/20 £000
Balance outstanding at the start of the year	13,575	13,917
Payments during the year	(373)	(342)
Balance outstanding at year end	13,202	13,575

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

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

The Authority participates in two pension schemes:

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

### Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost of Services:</b>				
• Current service cost	1,895	2,067	16,160	15,970
• Administrative expenses	33	33	-	-
• Past service cost	-	242	-	350
	<u>1,928</u>	<u>2,342</u>	<u>16,160</u>	<u>16,320</u>
<b>Financing and Investment Income and Expenditure:</b>				
• Interest cost	1,647	1,659	18,050	20,950
• Interest on scheme assets	(1,490)	(1,479)	-	-
	<u>157</u>	<u>180</u>	<u>18,050</u>	<u>20,950</u>
<b>Total post employment benefit charged to the deficit on provision of services</b>	<b>2,085</b>	<b>2,522</b>	<b>34,210</b>	<b>37,270</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>				
• Actuarial (gains) and losses	1,490	(2,424)	55,040	(66,370)
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,575</b>	<b>98</b>	<b>89,250</b>	<b>(29,100)</b>
<b>Movement in reserves statement</b>				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(3,234)	483	(66,880)	51,730
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	(341)	(581)	-	-
Net retirement benefits payable to pensioners	-	-	(22,370)	(22,630)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

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

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

**Retirement benefits payable to pensioners** – the net payments made in respect of the Firefighter pension scheme. Note, the fund also received a top up grant of £13.813m (2019/20: £14.657m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 62.

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

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

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
Opening balance at 1 April	(69,102)	(69,436)	(805,506)	(857,236)
Current service cost	(1,895)	(2,068)	(16,090)	(15,680)
Interest on liabilities	(1,647)	(1,659)	(18,050)	(20,950)
Contributions by scheme participants	(399)	(392)	(3,350)	(3,310)
Remeasurements (liabilities):				
Experience (gain)/loss	1,355	(856)	25,410	4,600
Gain/(Loss) on financial assumptions	(13,139)	1,454	(80,450)	35,670
Gain/(Loss) on demographic assumptions	(80)	2,567	-	26,100
Benefits/transfers paid	1,275	1,529	25,650	25,650
Past service cost	-	(242)	-	(350)
Closing balance at 31 March	(83,632)	(69,102)	(872,386)	(805,506)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
Opening balance at 1 April	61,932	61,783	-	-
Interest on scheme assets	1,490	1,479	-	-
Remeasurements (assets)	5,460	(741)	-	-
Administrative expenses	(33)	(33)	-	-
Employer contributions	341	581	22,300	22,340
Contributions by scheme participants	399	392	3,350	3,310
Benefits paid	(1,275)	(1,529)	(25,650)	(25,650)
Closing balance at 31 March	68,314	61,932	-	-

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 £6.490m (2019/20: gain of £0.507m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2021 is a gain of £0.280m (2019/20: cumulative gain of £0.219m).

**Scheme history**

	2020/21	2019/20	2018/19	2017/18	2016/17
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(83,631)	(69,102)	(69,436)	(62,839)	(62,912)
Firefighters Pension Scheme	(872,386)	(805,506)	(857,236)	(793,336)	(788,856)
Fair value of assets in LGPS	68,314	61,932	61,783	55,910	54,025
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(15,318)	(7,170)	(7,653)	(6,929)	(8,887)
Firefighters Pension Scheme	(872,386)	(805,506)	(857,236)	(793,336)	(788,856)
Total	(887,704)	(812,676)	(864,889)	(800,265)	(797,743)

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, £887.704m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £764.915m (2019/20: £693.169m). 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 £15.3m deficit, the latest actuarial

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valuation was actually a surplus of £9.7m as at 31 March 2019 (calculated on a different basis to the year end valuation), which is being recovered by annual net receipts of £0.8m from the pension fund.

- In April 2020 the Authority prepaid employers' contributions relating to 2020/21 to 2022/23, a total of £623,500 when netted off against the surplus recovery for the same period, in order to save approximately £36k on the contributions over the same period.
- Finance is only required to be raised to cover fire fighter pensions when the pensions are actually paid.

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

	Local Government Pension Scheme*	Firefighters' Pension Scheme**	Total
	£000	£000	£000
Estimated contributions	1,428	7,154	8,582

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

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

### Pensions assets and liabilities recognised in the Balance Sheet

Of the lump sum early payment of £0.6m made by the Authority in April 2020, a total of £0.2m (£0.2m employers contributions less an £11k proportion of the three year savings) has been reflected in the accounts for 2020/21, with the balance of £0.4m being offset against the LGPS pension scheme liability in the Balance Sheet. The Authority's LGPS pension scheme liability of £13.6m has been reduced by the £0.4m advance contribution payment.

### Basis for Estimating Assets and Liabilities

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

The Firefighters' Scheme has been assessed by GAD (the Government Actuarial Department), an independent firm of actuaries. Estimates for the Firefighters pension scheme are based on a 'roll forward approach' which updates the last full valuation on 31 March 2020, taking account of any significant changes since this. The figures include an estimate of the potential increase in liabilities as a result of the recent legal action surrounding the transitional protection arrangements – see Note 19 Contingent Liabilities for more details.

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

The principal assumptions used by the actuary have been:

	NWFC Local Government Pension Scheme		LCFA Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Mortality assumptions: Longevity at 65 for current pensioners:						
Men	21.4	21.2	22.4	22.3	21.4	21.3
Women	24.0	23.6	25.1	25.0	21.4	21.3

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Longevity at 65 for future pensioners:

Men	22.4	21.9	23.9	23.8	23.1	23.0
Women	25.7	25.0	26.9	26.8	23.1	23.0
Rate of CPI inflation	2.80%	1.80%	2.70%	2.10%	2.40%	2.00%
Rate of increase in salaries	3.50%	2.50%	4.20%	3.60%	4.15%	4.00%
Rate of increase in pensions	2.80%	1.80%	2.80%	2.20%	2.40%	2.00%
Rate for discounting scheme liabilities	2.05%	2.30%	2.10%	2.40%	2.00%	2.25%
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 2021		Assets at 31 March 2020	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	1,484	2.2	997	1.6
Bonds	Y	1,291	1.9	2,688	4.3
Property	N	1,439	2.1	1,040	1.7
Cash/Liquidity	N	1,564	2.3	863	1.4
Other	N	62,536	91.5	56,344	91.0
		<u>68,314</u>	<u>100.0</u>	<u>61,932</u>	<u>100.0</u>

### History of experience gains and losses

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

<b>Local Government Pensions Scheme (LGPS) inc NWFC:</b>	2020/21	2019/20	2018/19	2017/18	2016/17
	%	%	%	%	%
Experience Gains and losses on assets	(8.0)	1.2	8.0	1.0	12.3
Gains and losses on liabilities	14.2	(4.6)	(5.5)	4.2	16.6
<b>Firefighters Pension Scheme:</b>	2020/21	2019/20	2018/19	2017/18	2016/17
	%	%	%	%	%
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	6.3	(8.2)	2.5	(0.9)	14.4
<b>Total of LGPS and Fire Pension Schemes:</b>	2020/21	2019/20	2018/19	2017/18	2016/17
	%	%	%	%	%
Experience Gains and losses on assets	(8.0)	1.2	8.0	1.0	12.3
Gains and losses on liabilities	7.0	(8.0)	1.9	(0.6)	14.6

**16 Usable Reserves**

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

	2020/21		2019/20	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(6,463)		(6,350)
Earmarked Reserves	(6,175)		(3,344)	
PFI Equalisation Reserve	<u>(4,593)</u>		<u>(4,483)</u>	
Total Earmarked Reserves		(10,769)		(7,827)
Total Revenue Reserves		<u>(17,233)</u>		<u>(14,177)</u>
Capital Reserves:				
Capital Funding Reserve		(17,967)		(17,583)
Capital Grants Unapplied		(101)		(438)
Usable Capital Receipts		(1,680)		(1,663)
Total Usable Reserves		<u>(36,980)</u>		<u>(33,861)</u>

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

	Balance at 31.3.19 £000	Transfers in 2019/20 £000	Transfers out 2019/20 £000	Balance at 31.3.20 £000	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31.3.21 £000
General fund	(6,518)	(118)	286	(6,350)	(113)	-	(6,463)
Earmarked Reserves	(3,607)	(727)	990	(3,344)	(3,413)	582	(6,175)
PFI Equalisation Reserves	<u>(4,413)</u>	<u>(140)</u>	<u>70</u>	<u>(4,483)</u>	<u>(111)</u>	<u>-</u>	<u>(4,594)</u>
Total Earmarked Reserves	(8,020)	(867)	1,060	(7,827)	(3,524)	582	(10,769)
Capital funding reserve	(17,393)	(1,049)	860	(17,582)	(547)	163	(17,967)
Capital grants unapplied	(605)	(417)	584	(438)	(253)	590	(101)
Usable capital receipts	<u>(1,649)</u>	<u>(14)</u>	<u>-</u>	<u>(1,663)</u>	<u>(17)</u>	<u>-</u>	<u>(1,680)</u>
Total Usable Reserves	<u>(34,186)</u>	<u>(2,465)</u>	<u>2,790</u>	<u>(33,861)</u>	<u>(4,454)</u>	<u>1,335</u>	<u>(36,980)</u>

**18 Unusable Reserves**

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

	2020/21 £000	2019/20 £000
Revaluation Reserve	(47,400)	(46,544)
Capital Adjustment Account	(38,893)	(39,325)
Pensions Reserve	887,704	812,676
Collection Fund Adjustment Account	2,361	(589)
Accumulated Absences Adjustment Account	941	811
<b>Total Unusable Reserves</b>	<b>804,713</b>	<b>727,029</b>

**Revaluation Reserve**

	2020/21 £000	2019/20 £000
Balance at 1 April	(46,544)	(43,925)
Upward revaluation of assets	(4,122)	(5,967)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	1,599	1,727
Difference between fair value depreciation and historical cost depreciation	1,667	1,595
Amount written off to the Capital Adjustment Account	-	26
	<b>(47,400)</b>	<b>(46,544)</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.

	2020/21		2019/20	
	£000	£000	£000	£000
Balance at 1 April		(39,325)		(38,461)
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	2,504		2,315	
• Revaluation losses on Property, Plant & Equipment	782		148	
• Amortisation of intangible assets	221		135	
		<u>3,507</u>	<u>2,598</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>3,507</u>		<u>2,572</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	(412)		(386)	
• Voluntary provision for financing of capital investment charged against General Fund	(10)		(189)	
• Use of capital reserves to fund expenditure	(163)		(860)	
• Capital expenditure charged to General Fund Balance	(2,491)		(2,000)	
		<u>(3,075)</u>	<u>(3,435)</u>	
Balance as at 31 March		<u>(38,893)</u>		<u>(39,325)</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.

	2020/21	2019/20
	£000	£000
Balance at 1 April	812,676	864,889
Actuarial (gains) or losses on pensions assets and liabilities	61,444	(68,795)
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	36,295	39,793
Net payments to pensioners payable in the year	(22,370)	(22,630)
Employers pension contributions	(341)	(581)
	<u>887,704</u>	<u>812,676</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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(386)	(474)	(203)	(23)	(589)	(496)
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	758	88	-	-	758	88
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	-	-	2,192	(181)	2,192	(181)
Balance at 31 March	<u>372</u>	<u>(386)</u>	<u>2,192</u>	<u>(203)</u>	<u>2,361</u>	<u>(589)</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.

	2020/21	2019/20
	£000	£000
Balance at 1 April	811	764
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	130	47
Balance at 31 March	<u>941</u>	<u>811</u>

## 19 Contingent Liability

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

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

The Authority has attempted to resolve this issue regarding backdating via the collective bargaining arrangements, however an agreed position has not yet been reached with the FBU. The detailed financial impact is being determined but the existing accrual of £2.4m is believed sufficient. 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. A review has not identified any eligible instances and no claims have been received. No material cost can be identified, therefore no allowance has been made for any potential cost implications in the scheme that may arise from the judgement.

Part Time Workers (prevention of less favourable treatment) Regulations 2000

The previous national tribunal in relation to On Call Duty System staff claims under the Part Time Workers (prevention of less favourable treatment) Regulations 2000, was settled some years ago, and the final remaining balance held in provisions in respect of this was reversed during the year. During the year a successful claim has been made by a Judge to backdate the liability beyond the date of the introduction of the Part time workers regulations. Discussions are being held between the unions involved, LGA and central government in respect of impact on On Call employees but no definitive position has yet been determined.

## **20 Post Balance Sheet Events**

During 2021/22 Balfour Beatty is selling its' interest in the PFI scheme to BBGI, a company who already operates several PFI schemes in the UK including within the emergency services sector. This change is not anticipated to have any impact on service provision for the Authority.

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

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

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

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

### **Credit Risk**

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

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

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

### Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.038m of the £0.041m balance is past due date for payment. On a prudent basis the Authority has created a provision for expected credit losses to cover any potential loss arising from this, which currently stands at £0.013m and which is considered sufficient for this purpose.

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

	2020/21 £000	2019/20 £000
0 to 30 days	3	170
31 to 60 days	11	-
61 to 90 days	6	-
91 to 180 days	9	5
Over 180 days	12	1
	41	176

### 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 2021	
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 £24.7 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 £247,000 and a 1% fall would give a reduction of the same amount.

## 22 Local Authority Controlled Company – NW FireControl Limited

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

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

An assessment for Group Accounting requirements has taken place during 2020/21 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement, and on this basis, the Authority's 25% share of the transactions and balances of NW FireControl Limited have been recognised within the accounts. See note 28 Critical judgements.

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

Key Information	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Total assets less Current Liabilities	317	310
Net assets*	(6,722)	(2,350)
(Loss) Before Taxation	(262)	(594)
(Loss) After Taxation	(262)	(595)
Debtor Balance (LFRS)	-	-
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,222	1,191
Invoices raised by LFRS to NW FireControl	-	-

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\*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 31/12/2021 for the final audited 2020/21 accounts.

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

	2020/21	2019/20
	£000	£000
Depreciation	4,171	3,911
Impairment & downwards valuations	782	148
Amortisation	221	135
Increase/(decrease) in provisions	(182)	298
Increase/(decrease) in creditors	1,686	2,410
(Increase)/decrease in debtors	(2,084)	936
(Increase)/decrease in stock	(42)	1
(Increase)/decrease in LGPS pension liability	(424)	-
Movement in pension liability	13,584	16,581
	<u>17,713</u>	<u>24,150</u>

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

	2020/21	2019/20
	£000	£000
Interest received	(98)	184
Interest paid	1,416	(1,439)

Interest paid includes interest payments in respect of both finance leases and PFI schemes (see accounting policy Note 29, section j)

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

	Long Term borrowings £000	Short Term borrowings £000	Lease liabilities £000	Total £000
1 April 2020	15,202	373	153	15,728
Cash flows:				
Repayment	(407)	34	(38)	(411)
Proceeds	-	-	-	-
Non-cash:				
Acquisition	-	-	-	-
31 March 2021	14,795	407	115	15,317

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

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

determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2021 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 £99.5m (2019/20: £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 asset lives are assigned by the RICS valuer (property) and Fleet Services department (vehicles and equipment) but are subject to professional judgement.	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 £99.5m (2019/20: £99.2m)	As at the valuation date, the RICS valuer notes continued market uncertainties in the wake of Brexit and Covid-19, and although materials costs remain high, investment market uncertainty has caused a slight downward trend since last year.	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 £0.7m.
Fair Value Measurements – PFI schemes  Liability carrying value £13.2m (2019/20: £13.6m)  Fair value £17.3m (2019/20: £16.6m)	The liability initial carrying value is calculated from the present value of the future payments due and grant received for the life of the PFI scheme. This carrying value is then updated each year to reflect any inflationary increases and any repayments made. The fair value is calculated using the forecast payments and grant income for the remaining life of the scheme and applying a discount rate (we use the current AA rated bond yield rate forecast) to arrive at the fair value. The Fair Value is the estimated price at which the Authority would transfer the liability to another body.  The bond yield rate forecasts have reduced since last year end, reflecting the reduction in expected future Bank of England base rate forecasts and the uncertainties about future economic recovery. This reduction in the future interest rates is reflected in the increased fair value of the liability, when the underlying liability has reduced by the repayments made during the year.	The Authority uses the Discounted Cash Flow (DCF) model to measure the fair value of its PFI liabilities.  Fair value is calculated using the bond yield rates against the annual net cash flows.  It is estimated that a 1% decrease in the discount rate would increase the fair value by £1.4m.

<p>Pension Liability</p> <p>Carrying value £887.7m (2019/20: £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 £16.7m</li> <li>• Inflation rate – increase of £15.1m</li> <li>• Pay growth – increase of £2.2m</li> </ul> <p>A 1 year increase in life expectancy will increase the net pension liability by £8.6m.</p>
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This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 27 Expenditure and Income Analysed by Nature

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

	2020/21 £000	2019/20 £000
Expenditure		
Employee benefits expenses	43,274	42,582
Other services expenses	13,814	12,850
Support service recharges	-	-
Depreciation, amortisation and impairment	5,174	4,194
Interest payments	19,645	22,611
Gain on disposal of fixed assets	(17)	(14)
Total expenditure	81,891	82,203
Income		
Fees, charges and other service income	(1,389)	(1,352)
Interest and investment income	(253)	(332)
Income from council tax, business rates and revenue support grant	(53,143)	(54,653)
Government grants and contributions	(11,463)	(8,248)
Total Income	(66,248)	(64,585)
Deficit on the provision of services	15,643	17,618

## 28 Critical Judgements

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

In line with the ongoing discussions with representative bodies regarding pensionability of allowances following the High Court ruling on Norman v Cheshire Fire Service in March 2019, the 2019/20 statement of accounts included an accrual of £2.4m, calculated as the Authority's potential liability in respect of backdated employers pension contributions should agreement be reached with representative bodies.

This sum was calculated using historic payroll data and applying the relevant Firefighters pension scheme employers contribution rates (which vary dependent on the scheme).

### Joint Operation – North West Fire Control

An assessment for Group Accounting requirements has taken place during 2020/21 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

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

## 29 Accounting Policies

### a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, 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 – 2020/21, supported by International Financial Reporting Standards (IFRS).

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

### b Accruals of income and expenditure

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

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

**c Cash & cash equivalents**

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

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

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

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

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

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

**e Employee Benefits**

**Benefits Payable During Employment**

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

## **Post Employment Benefits**

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

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

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

### 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 2020/21, 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 2020/21, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2020/21, 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 2021, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, carried out revaluations on the identified properties. All valuations are on the basis of depreciated replacement cost, with the exception of one property used as offices, valued at Existing Use Value.

All other Non current assets are valued at historic cost.

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

iii) Impairment

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

iv) Disposals

When an asset is disposed of the value of asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. From 1 April 2020, receipts from disposals are credited to capital receipts, with the sale proceeds being recognised in the CIES. This treatment results in the netting off of receipts against the carrying value of the asset.

v) Depreciation

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

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

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

vi) Componentisation

From 1 April 2010, the Authority is required to separately recognise, depreciate and de-recognise significant components of assets, where the significant component has a different useful life to the remainder of the asset. Assets with a carrying value of less than £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.

**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**

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

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

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

#### **m Reserves**

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

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

#### **n Contingent liabilities**

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

**o Going Concern**

These accounts are prepared on a going concern basis, on the assumption that the Authority's functions will continue in operational existence for the foreseeable future. In addition, the potential impacts of both Brexit and the Fair Funding review uncertainties were included in the assessment of reserves levels carried out for the 2021/22 budget setting exercise concluded in February 2021, but are not considered to have changed significantly at this time. Our current Medium Term Financial Strategy (MTFS) shows a current healthy reserves position, balancing budget funding shortfalls in the short and medium term. We await the outcome of the Spending Review to clarify our estimates within our MTFS.

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

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

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

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

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

**Amendments to International Financial Reporting Standard (IFRS) 3 - Business combinations: definition of a business**

The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

**Interest rate benchmark reform - Amendments to IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform  
Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.**

The International Accounting Standards Board published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks.

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

**r Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The

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activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority has one joint operation, North West FireControl Ltd (see note 22 for details), and recognises:

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

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

<b>Fund Account</b>	<b>2020/21 Total £000</b>	<b>2019/20 Total £000</b>
<b>Income to the fund</b>		
<b>Contributions receivable:</b>		
- From employer		
- contributions in relation to pensionable pay	(7,370)	(6,889)
- other contributions	(348)	(297)
- Members contributions	(3,262)	(3,022)
<b>Transfers in:</b>		
- Individual transfers from other schemes	(111)	(309)
<b>Total Income to the Fund</b>	<b>(11,091)</b>	<b>(10,517)</b>
<b>Spending by the fund</b>		
<b>Benefits payable:</b>		
- Pension payments	21,093	20,436
- Commutations of pensions and lump-sum retirement benefits	3,793	4,735
<b>Transfers out:</b>		
- Individual transfers out to other schemes	18	-
- Refunds of contributions	-	2
<b>Total Spending by the fund</b>	<b>24,904</b>	<b>25,174</b>
<b>Net amount receivable for the year before top up grant receivable from central government</b>	<b>13,813</b>	<b>14,657</b>
Top up grant receivable from central government	(13,813)	(14,657)
<b>Net amount receivable for the year</b>	<b>-</b>	<b>-</b>
<b>Net Assets Statement</b>	<b>2020/21 £000</b>	<b>2019/20 £000</b>
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(3,591)	(4,156)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	3,591	4,156
<b>Net current assets at the end of the year</b>	<b>-</b>	<b>-</b>

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 2021 the Authority is owed £3.591m (2019/20: £4.156m) by the Home Office in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long term pension obligations can be found in the Authority's main statements, and also Note 15 to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

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

#### Contribution Rates

Under the firefighters pension regulations the contribution rates during 2020/21 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 2020/21, and three in 2019/20.

#### 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 February prior to the commencement of the financial year.

### **Capital Expenditure**

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

### **Capital Receipts**

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

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

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

### **Creditors**

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

### **Debtors**

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

### **Fair Value**

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

### **Financial Instrument**

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

**Financial Year**

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

**Financing Charges**

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

**Premiums and Discounts**

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

**Public Works Loan Board (PWLB)**

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

**Revenue Contribution to Capital Outlay**

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

**Revenue Expenditure**

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