Lancashire Fire and Rescue Service

STATEMENT OF ACCOUNTS

2021/22

LANCASHIRE COMBINED FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2021/22

CONTENTS

NARRATIVE REPORT

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

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

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2021/22
- 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 2022 (referred to as 2021/22). 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 2021/22. 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 2021/22, 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 2022, 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 2021, like the rest of the country, we continued to work in a hybrid model as Covid-19 infections oscillated. We continued to play a major role in the Lancashire Resilience Forum over the course of the year with volunteers continuing to assist in the vaccination programme across Lancashire.

By winter, all of the services that we provide were back up and running whilst some utilised the new technology that was brought in as a result of working from home. The service introduced a new business fire safety check which complements our well-established home fire safety check service. Youth activities including Prince's Trust and Fire Cadet courses have resumed at fire station.

This year saw the service continue to invest in property and equipment. We opened the new BA school and fleet garages at Service Training Centre which incorporates the best cleaning technology on the market to produce a state-of-the-art training facility. We also added two new Hagglund vehicles to our fleet following the launch of our new climate change operational response plan.

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.

Operationally, our firefighters have responded to large wildfires, flooding, gas explosions whilst some of our crews were sent to Greece to help with the enormous wildfires affected their country.

2021/22 activity increased by 1,607 incidents over the previous year to record a total of 18,941. The number of accidental dwelling fires decreased by 28 and deliberate dwelling fires also reduced slightly to 99. A total of 759 gaining entry incidents were undertaken in 2021/22, which is 52 fewer than the previous year.

The Authority recruited 47 new whole-time firefighters and 50 new on call firefighters, of which 11% were female and 2% were from a BME background.

In 2021/22 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook its second independent inspection of the Service. We received an overall rating of 'Good', with a 'Good' rating in all categories other than 'Promoting the right values and culture' in which we achieved a rating of 'Outstanding', and had no areas that 'require improvement'. The results mirror those of the service's first full inspection in 2018, with the new report highlighting that the service has improved in almost all areas since then. Her Majesty's Inspector of Fire and Rescue Services, Matt Parr, said: "*I congratulate Lancashire Fire and Rescue Service on its excellent performance across all three areas of our assessment." "Importantly for the public, the service is good at understanding and preventing fires and other risks, as well as good at protecting people and responding to fires and other emergencies, and major and multi-agency incidents. It has improved consultation about its community plan." "The service is outstanding at promoting the right culture and values and has developed a talent management process. It has a good understanding of its future financial challenges and has identified savings and investment opportunities.*"

Further details can be found in our Annual Service Report.

The 2021/22 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.

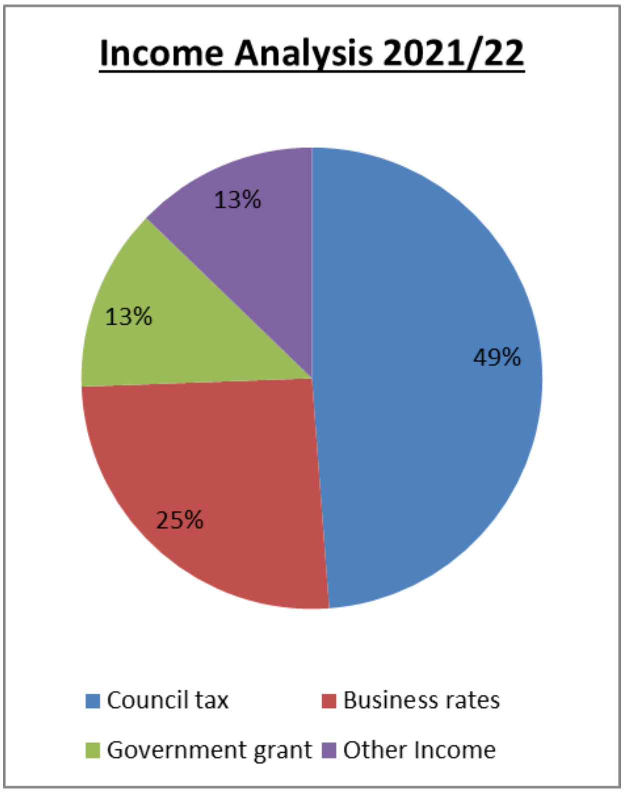
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

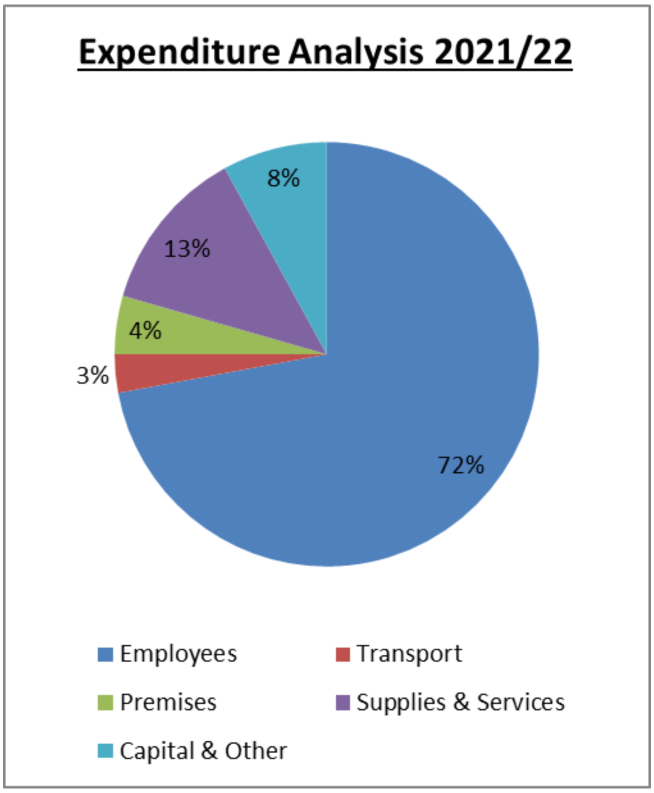
- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account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

The Authority agreed a gross revenue budget of £58.2m, an increase of 1.5%, and a council tax of £72.27. 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 £0.3m, with the main variances relating to vacant posts, as early leavers/retirements/vacancies have outstripped budgetary allowances, which is partly offset by unfunded pay awards and 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 over the page:-

	Budget	Spend	(Under)/ over spend
Employees: pay costs	47,027	46,572	(455)
Other employee related costs	1,491	1,409	(82)
Premises	3,076	2,950	(126)
Transport	1,982	1,953	(29)
Supplies & services	8,676	8,366	(310)
Capital financing costs & other	4,319	5,314	995
Total Expenditure	66,570	66,564	(7)
Other Income	(8,395)	(8,544)	(149)
Budget requirement	58,175	58,020	(155)
Funded by:			
Council tax	(32,649)	(32,648)	0
Business rates	(16,957)	(17,134)	(177)
Government grant	(8,570)	(8,570)	(0)
	(58,175)	(58,352)	(177)
Net Underspend	-	(332)	(332)

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	(0.332)
Recognise 25% share in North West FireControl Limited	(0.073)
Accounting for pensions under IAS19	9.130
Revenue Contributions to Capital Outlay	(2.373)
Adjustments between accounting basis and funding basis under regulations	3.610
Deficit on the provision of services	**9.962**
Surplus on revaluation of non-current assets	(10.610)
Actuarial gain on pensions assets and liabilities	(13.400)
Total Comprehensive Income and Expenditure	**(14.047)**

As the Authority’s current general fund balance stands at £6.0m and given the scale of the capital programme the revenue underspend of £0.3m 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 £4.0m and a maximum of £10.0m). (Note the General Fund Balance including our share of North West FireControl general reserves is £6.5m.)

The Authority also holds an additional £9.7m of earmarked revenue reserves and £19.4m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy, reducing to zero in 2024/25. 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 £3.3m, with the main contributors to this being set out over the page:-

	Spend
Vehicles • Operational Vehicles • Support Vehicles –various support vehicles, such as vans and cars	 £0.1m £0.2m
Operational Equipment • Defibrillators	 £0.1m
ICT Equipment • VMDS/MDT hardware replacement	 £0.1m
Buildings • Training Centre – STC Workshop • Other	 £2.7m £0.1m
Total	£3.3m

The Balance Sheet shows that the Authority's Total Net Liabilities reduced from £768m to £754m. 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 £883m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £129m. 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 £114m, reflecting the investment in our asset base and the impact of revaluations.

Future Financial Plans

Due to economic uncertainty the anticipated 4 year Spending Review was again reduced to a single year review, covering 2022/23, with a multi-year settlement anticipated for next year. 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 2022/23 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 1.0%.

The Government amended the council tax referendum principles for 2022/23, allowing Fire Authorities in the bottom quartile for council tax levels to increase by £5. Lancashire were in the bottom quartile and hence benefited from this increased flexibility and agreed a council tax of £77.27. Raising council tax by the maximum permissible still only increases the overall council tax bill by £5 but generates £2.25m of funding for the Authority. This increase provides an opportunity to address some of the capacity and pay issues within support functions, supporting the delivery of further efficiencies, as well as reduce the pressure on the ECR delivering sufficient change to offset the cessation of DCP and meet future budget pressures. It gives greater long term funding certainty which will form the basis of our future investment requirements, which are essential if we are to hit our 'road to outstanding' ambition and be the best equipped, best trained and best accommodated Service. .

The Authority therefore agreed a revenue budget of £63.0m, allowing for inflationary pressures, and the need to invest in greater recruitment, support function capacity and resilience, as well as our asset base. 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 increases broadly in line with inflation, at 1.0% per annum. Based on this we will be able to set a broadly balanced budget in future years, after allowing for council tax increases of 2% in line with the assumed referendum principles in future years.

The capital budget continues to invest in our asset base, in particular vehicle replacement, new operational equipment, new IT requirements and refurbishment/replacement of stations/buildings. This gives rise to a capital program of £47m over the next five years.

We will continue to invest to ensure that our staff have the best equipment available, our vehicle programme sees us investing in enhanced aerial capability, whilst our operational equipment investment includes the replacement of our Breathing Apparatus sets and telemetry, and our cutting/extrication equipment.

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

The majority of the capital programme relates to planned enhancements to our building stock, including the potential replacement of Service HQ and Preston Fire Station, together with enhancements to our training props at our Service Training Centre.

The capital programme shows the Authority utilising all of its capital reserves and receipts part way through 2024/25, meaning that the remainder of the capital programme will need to be met from either capital grant (if available), additional revenue contributions or from new borrowing. Any borrowing will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision - MRP) charges. As we have already set aside funds (prepaid MRP) to offset our existing £2.0m of PWLB borrowing we would need to take out new borrowing of £7.5m. This has a significant impact on the revenue budget, in terms of interest payments and setting aside a sum equivalent to the Minimum Revenue Provision (MRP), and is reflected in our Medium Term Financial Strategy.

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;
- Inadequacy of insurance arrangements

Accounting Changes

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2022 and up to the date of approval of the 2021/22 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 Community Risk Management Plan (CRMP) 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 2022-2027 can be found on our website at https://www.lancsfirerescue.org.uk/wp-content/uploads/2022/04/Community-Risk-Management-Plan_2022-27-FINAL-VERSION-13-April-22-amends-page-15.pdf

- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan was approved this year and can be found on our website at Annual Service Plan 2022-23 - Lancashire Fire and Rescue Service (lancsfirerescue.org.uk)

- 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, which 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 whistleblowing, 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:-

- A new Community Risk Management Plan covering the five-year period 2022-2027 has been agreed and published in year.

- We updated our Strategic Assessment of Risk.

- We continued to adapt working practices during 2021/22 due to the ongoing impact of the Covid-19 pandemic:-

    - Our business continuity arrangements continued ensuring the 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, most notably supporting the local vaccination programme
    - All aspects of the service experienced a number of changes to working practices, implemented in order to ensure staff safety during the pandemic, with hybrid working continuing where appropriate
    - We continued to support the psychological wellbeing of staff, recognising the additional pressures imposed by the demands of the pandemic
    - Relevant Authority/Committee meetings were cancelled between March and May 2020, with the Authority's Urgent Business process being used as required. Virtual Authority/Committee meetings continued at the start of the year, with in person meetings recommencing 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*."

- A new Annual Service Plan has been published, providing clarity, both internally and externally, on our priorities set out in the CRMP 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.

- Statement of Intent: Enhanced Collaboration agreed between LFRS, Lancashire Constabulary and North West Ambulance Services. Collaboration group established with regular reports to Members.

- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.

- Performance appraisal incorporating values is undertaken throughout the Service

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

- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.

- As part of the 2021/22 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 2020/21:
  - Financial statements – "*We gave an unqualified opinion on the Authority's financial statements on 30 September 2021*."
  - Value for money conclusions:-
    - Financial Sustainability – "*We found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services*"
    - Governance – "*We found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks*"
    - Improving economy, efficiency and effectiveness - "*We found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services*"

- HMICFRS undertook its second full inspection of the Service in 2021/22. We received an overall rating of 'Good', with a 'Good' rating in all categories other than 'Promoting the right values and culture' in which we achieved a rating of 'Outstanding', and had no areas that 'require improvement'. The results mirror those of the service's first full inspection in 2018, with the new report highlighting that the service has improved in almost all areas since then. Her Majesty's Inspector of Fire and Rescue Services, Matt Parr, said: "*I congratulate Lancashire Fire and Rescue Service on its excellent performance across all three areas of our assessment." "Importantly for the public, the service is good at understanding and preventing fires and other risks, as well as good at protecting people and responding to fires and other emergencies, and major and multi-agency incidents. It has improved consultation about its community plan." "The service is outstanding at promoting the right culture and values and has developed a talent management process. It has a good understanding of its future financial challenges and has identified savings and investment opportunities.*"

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

Area for Improvement	Action to date	Complete/ On-going	Owner
Continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning	The Assurance Monitoring System is operational and being utilised across many different departments to manage and track items such as Debriefs / National Operational Learning / Grenfell Tower Inquiry	Completed	Head of Digital Transformation
Performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation	This has been rolled out	Completed	Head of Human Resources
An updated CRMP covering the period 2022/27 will be produced	Updated CRMP agreed and published	Completed	CFO

The outcome of the Staff Survey will be published and, where relevant, acted upon	The outcomes were published in May 2021, with improvements being implemented such as: • Improved maternity, adoption and paternity pay at LFRS • Installed new Teams equipment at every station • Implemented a Hybrid Flexible working policy	Completed	Head of Corporate Communications
A project to replace the existing Performance Management System will commence	This project has commenced but is in the early stages due to capacity issues.	March 2023	Head of Service Development
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	LCC have delayed implementation of the system, with a revised target date of Autumn 2022.	December 2022	Head of Finance
Develop business cases where required to ensure that value for money is evidenced	A new template has been designed and utilised as part of the budget setting process	Completed	Director of Corporate Services

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 area for improvement, are listed below:

- Embed the Core Code of Ethics into our corporate policy, and recruitment and promotion process

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:

David O'Toole

County Councillor D O'Toole,
Chairman,
Lancashire Combined Fire Authority
14 September 2022

Justin Johnston

J Johnston,
Chief Fire Officer,
Lancashire Fire and Rescue Service
14 September 2022

Keith Mattinson

K Mattinson CPFA,
Treasurer,
Lancashire Combined Fire Authority
14 September 2022

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 2022, 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 notes to the financial statements include notes to the core financial statements and firefighters pension fund notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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 2021/22 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 Grant

Thornton UK LLP. 2 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 2021/22, 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. 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 2021/22. The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, 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. We determined that the principal risks were in relation to:
  - – large and unusual journal entries; 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 the defined pension fund net 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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 the defined pension fund net liability valuations.
- Our 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 2022.

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 2022.

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 December 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 2022 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

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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.

Georgia Jones

Georgia Jones, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool
30 November 2022

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 ('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 2022.

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.

Keith Mattinson

K Mattinson CPFA
Treasurer to the Combined Fire Authority
29 November 2022

John Shedwick

John Shedwick
Chair of Audit Committee
29 November 2022

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		2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000	2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
	Continuing operations:						
1	Service Delivery	32,756	(2,364)	30,391	34,637	(1,992)	32,645
1	Strategy and Planning	11,912	(984)	10,928	13,238	(823)	12,415
1	People and Development	1,921	(1)	1,920	1,613	(2)	1,611
1	Corporate Services	4,802	(149)	4,653	4,880	(58)	4,821
1	Fire-fighters Pensions	1,259	(19)	1,239	1,307	(23)	1,285
1	Overheads	6,429	(5,211)	1,217	6,587	(5,014)	1,574
1	Net Cost of Services	**59,078**	**(8,729)**	**50,349**	**62,262**	**(7,912)**	**54,350**
	Gain on disposal of non current assets			(3)			(17)
	Financing & investment income & expenditure						
8	Interest payable and similar charges			1,408			1,439
15	Pensions interest cost and expected return on pensions assets			17,648			18,207
8	Interest receivable and similar Income			(206)			(253)
	Taxation and non-specific grant income						
	Taxation on NW FireControl			-			-
	Council tax			(33,160)			(31,055)
	Revenue Support Grant			(8,570)			(8,523)
	Non-domestic rates redistribution			(14,786)			(13,565)
	Business rates S31 grant			(1,360)			(1,284)
	Business rates S31 grant – additional reliefs			(1,101)			(1,925)
	Local taxation Income Guarantees			(4)			(132)
	Capital grant income			(253)			(253)
	Covid relief S31 grant			-			(1,346)
	Deficit on the provision of services			**9,962**			**15,643**
	Surplus on revaluation of non-current assets			(10,610)			(2,523)
18	Actuarial (gains)/losses on pensions assets and liabilities			(13,400)			61,444
	Other comprehensive income & expenditure			(24,009)			58,921
	Total Comprehensive Income and Expenditure			**(14,047)**			**74,564**

MOVEMENT IN RESERVES STATEMENT 2021/22

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 2021 carried forwards	6,463	10,769	17,232	17,966	101	1,680	36,979	(804,713)	(767,734)
Movement in reserves during 2021/22									
Surplus/(Deficit) on provision of services	(9,962)		(9,962)				(9,962)	-	(9,962)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	24,009	24,009
Total comprehensive income and expenditure	(9,962)		(9,962)				(9,962)	24,009	14,047
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,863		4,863				4,863	(4,863)	-
Amortisation of intangible assets	158		158				158	(158)	-
Disposal of assets	(3)		(3)			3	-	-	-
Capital grants unapplied	61		61		(61)		-	-	-
Provision for the repayment of debt	(458)		(458)				(458)	458	-
Capital expenditure charged against General Fund Balance	(2,373)		(2,373)				(2,373)	2,373	-
Amount by which the Code and the statutory pension costs differ	9,130		9,130				9,130	(9,130)	-
Amount by which the Code and the statutory collection fund income differ	(1,585)		(1,585)				(1,585)	1,585	-
	9,793	-	9,793	-	(61)	3	9,735	(9,735)	-
Net increase/decrease before transfers to earmarked reserves	(169)	-	(169)	-	(61)	3	(228)	14,275	14,047
Transfers (to)/from earmarked reserves	690	(690)	-				-	-	-
Transfers (to)/from capital funding reserve	(346)	(337)	(683)	(294)			(977)	977	-
Transfers (to)/from accumulated absences adjustment account	(102)		(102)				(102)	102	-
Net tfr (to)/from earmarked reserves	242	(1,027)	(785)	(294)	-	-	(1,079)	1,079	-
Increase/(Decrease) in the year	73	(1,027)	(954)	(294)	(61)	3	(1,306)	15,351	14,047
Balance at 31 March 2022 carried forwards	6,536	9,742	16,278	17,672	40	1,683	35,673	(789,359)	(753,686)

MOVEMENT IN RESERVES STATEMENT 2020/21

	General fund £000	Earmarked reserves £000	Total General Fund Balance £000	Capital funding reserve £000	Capital grant unapplied reserve £000	Capital receipts reserve £000	Total usable reserves £000	Unusable reserves £000	Total Authority reserves £000
Balance at 31 March 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)

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 2022 £000	At 31 March 2021 £000
	Long Term Assets		
6	Property, Plant & Equipment	108,637	99,538
7	Intangible Assets	523	639
8	Long-Term Investments	5,000	10,000
		114,160	110,177
	Current Assets		
	Inventories	257	279
8	Short Term Investments	10,000	5,000
9	Short Term Debtors	12,888	10,885
10	Cash & Cash Equivalents	17,896	22,603
		41,041	38,767
	Current Liabilities		
8	Other Short Term Liabilities	(492)	(452)
11	Short Term Creditors	(9,296)	(12,621)
		(9,788)	(13,073)
	Long Term Liabilities		
12	Provisions	(1,447)	(1,398)
8	Long Term Borrowing	(2,000)	(2,000)
13	Other Long Term Liabilities	(895,652)	(900,205)
		(899,099)	(903,603)
	Net Liabilities	(753,686)	(767,732)
16	Revenue Reserves	(16,278)	(17,233)
16	Capital Funding Reserve	(17,672)	(17,967)
16	Capital Grants Unapplied Account	(40)	(101)
16	Usable Capital Receipts Reserve	(1,683)	(1,680)
16	**Usable Reserves:**	(35,673)	(36,980)
18	Revaluation Reserve	(56,221)	(47,400)
18	Capital Adjustment Account	(39,469)	(38,893)
13,15&18	Pension Reserve	883,434	887,704
18	Collection Fund Adjustment Account	776	2,361
18	Accumulated Absences Adjustment Account	839	941
18	**Unusable Reserves:**	789,359	804,713
	Total Reserves	753,686	767,732

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 2022 and its income and expenditure for the year then ended.

Keith Mattinson | *John Shedwick*

K Mattinson CPFA
Treasurer to the Combined Fire Authority
29 November 2022

John Shedwick
Chair of Audit Committee
29 November 2022

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		2021/22		2020/21	
		£000	£000	£000	£000
	Net deficit on the provision of services		(9,962)		(15,643)
23	Adjustments to net deficit on the provision of services for non-cash movements		9,805		17,713
	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities		1,319		1,318
	Net cash flows from Operating Activities		**1,162**		**3,388**
	Investing activities				
6&7	Purchase of property plant and equipment & other capital spend	(4,099)		(1,972)	
	(Increase)/Decrease in long term deposits	5,000		(5,000)	
	(Increase)/Decrease in short term deposits	(5,000)		-	
24	Receipts from investing activities	67		98	
	Net cash flows from investing activities		(4,032)		(6,874)
	Financing activities				
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(451)		(417)	
	Repayment of long term borrowing	-		-	
24	Payments for financing activities	(1,386)		(1,416)	
	Net cash flows from financing activities		(1,837)		(1,833)
	Net increase/(decrease) in cash and cash equivalents		**(4,707)**		**(5,319)**
10	Cash and cash equivalents at the beginning of the reporting period		22,603		27,922
10	**Cash and cash equivalents at the end of the reporting period**		**17,896**		**22,603**

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.

2021/22	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	38,712	-	38,712	(8,321)	30,391
Strategy and Planning	11,159	-	11,159	(230)	10,928
People and Development	1,608	-	1,608	311	1,920
Corporate Services	4,506	-	4,506	147	4,653
Firefighters Pensions	1,239	-	1,239	0	1,239
Overheads	1,678	-	1,678	(461)	1,217
Net cost of Services	58,902	-	58,902	(8,553)	50,349
Other income and expenditure	(59,234)	-	(59,234)	18,847	(40,387)
Surplus on provision of services	(332)	-	(332)	10,294	9,962
Opening General Fund balance			(6,464)		
Surplus on provision of services			(332)		
Transfer to Capital Funding Reserve			331		
NWFC recognise 25% surplus on provision of services			(73)		
Closing General Fund balance			(6,537)		

2020/21	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
Net cost of Services	57,607	363	57,969	**(3,619)**	**54,350**
Other income and expenditure	(57,969)	-	(57,969)	19,262	(38,708)
Surplus on provision of services	(363)	363	-	**15,643**	**15,643**
Opening General Fund balance			(6,350)		
Surplus on provision of services			-		
NWFC recognise 25% surplus on provision of services			(113)		
Closing General Fund balance			(6,464)		

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	Transfer to/(from) Capital Reserves	**Total to arrive at amount charged to the General Fund**	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (3)	**Total adjustment between funding and accounting basis**
2021/22	£000	£000	**£000**	£000	£000	£000	**£000**
Service Delivery	-	-	**-**	133	(8,884)	430	(8,321)
Strategy and Planning	-	-	**-**	(41)	(367)	177	(230)
People and Development	-	-	**-**	-	311	-	311
Corporate Services	-	-	**-**	-	277	(130)	147
Firefighters Pensions	-	-	**-**	-	-	-	**-**
Overheads	-	-	**-**	2,144	145	(2,750)	(461)
Net cost of Services	-	-	**-**	2,236	(8,518)	(2,272)	(8,553)
Other income and expenditure	-	-	-	-	17,648	1,199	18,847

Total	-	-	**-**	2,236	9,130	(1,073)	10,294

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

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 2021/22 Fire Authority costs amounted to £0.317m (2020/21: £0.268m), analysed as follows:

	2021/22	2020/21
	£000	£000
Members allowances/expenses	136	128
Statutory officers	111	106
Others	70	34
	317	268

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,158 employees, who have received pay and benefits of more than £50,000 are:

	2021/22	2020/21
	No.	No.
£75,000 - £79,999	1	3
£70,000 - £74,999	3	1
£65,000 - £69,999	6	5
£60,000 - £64,999	7	1
£55,000 - £59,999	41	29
£50,000 - £54,999	59	32
	117	71

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

Senior Officers Remuneration

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

Post holder information (post title and name) **2021/22**	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – Justin Johnston	152,425	-	152,425	43,898	196,324
Director of Service Delivery – Steve Healey (1 April to 31 December)	104,554	-	104,554	22,584	127,138
Director of Strategy & Planning – Steve Healey (1 January 22 to date)	34,851	-	34,851	7,528	42,379
Director of Strategy & Planning – Ben Norman (1 April to 31 December)	89,671	-	89,671	25,825	115,496
Director of Service Delivery – Jon Charters (1 January 22 to date)	29,040	-	29,040	8,364	37,404
Director of People & Development – Robert Warren	108,277	-	108,277	18,515	126,792
Director of Corporate Services – Keith Mattinson	90,244	-	90,244	15,432	105,675
	609,062	-	609,062	142,146	751,208

Post holder information (post title and name) **2020/21**	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
Chief Fire Officer – 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
	576,083	3,642	579,725	139,589	719,314

Exit Packages

There were no exit packages in 2021/22 or 2020/21.

4 External Auditors Fees

In 2021/22, the Fire Authority paid a total of £0.044m to its external auditors, Grant Thornton (2020/21: £0.039m), as follows:

	2021/22	2020/21
	£000	£000
Audit fees – Grant Thornton	44	39

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 2021/22 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 £1.089m 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 2021/22 one Senior Officer declared a family relationship with a Senior Officer who worked across three of our major billing authorities (in 2020/21 the same officer declared the same family relationship, covering just one of our billing authorities). Although there are significant transactions between the parties in relation to business rates (£0.669m received from the billing authorities, 2020/21: £0.421m from the one relevant authority), and council tax (£7.852m received from the billing authorities, 2020/21: £2.552m from the one relevant authority), 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 2021/22 are:

Movement during the year	**Other Land & Buildings** £000	**PFI Assets – land & buildings** £000	**Vehicles, Plant & Equipment** £000	**Total Property, Plant & Equipment** £000
Cost or valuation				
At 1 April 2021	60,814	29,200	24,150	114,164
Additions	2,865	0	487	3,352
Disposals	-	-	(405)	(405)
Impairment losses recognised in the Revaluation Reserve	(1,004)	(726)	-	(1,730)
Impairment losses recognised in the Deficit on the Provision of Services		-	(72)	(72)
Revaluations	6,439	2,701	-	9,140
As at 31 March 2022	69,114	31,175	24,160	124,449
Depreciation and impairments				
At 1 April 2021	(30)	-	(14,596)	(14,626)
Depreciation charge for 2021/22	(2,416)	(753)	(1,622)	(4,791)
Disposals	-	-	405	405
Revaluations	2,446	753	-	3,200
As at 31 March 2022	-	-	(15,812)	(15,812)
Balance sheet at 31 March 2022	69,114	31,175	8,348	108,637
Balance sheet at 31 March 2021	60,783	29,200	9,555	99,538
Nature of asset holding				
Owned	68,844	-	8,305	77,149
Finance lease	270	-	43	313
PFI	-	31,175	-	31,175
	69,114	31,175	8,348	108,637
Carried at historical cost	-	-	8,348	8,348
Valued at current value as at:				
31 March 2022	69,114	31,175	-	100,289
31 March 2010	-	-	-	-
Total cost or valuation	69,114	31,175	8,348	108,637

On 31 March 2022 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 £12.340m (2020/21: net gain of £4.122m).

The comparative figures detailing the movement during 2020/21:

Movement during the year	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost or valuation				
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
Depreciation and impairments				
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
Nature of asset holding				
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

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 2021/22 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.

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	13,225	13,647
Capital investment:		
Property, Plant & Equipment*	3,352	2,654
Intangible assets*	31	2
Sources of Finance:		
Capital Reserves	(977)	(163)
Revenue contributions to capital*	(2,404)	(2,493)
MRP	(457)	(422)
Closing Capital Financing Requirement	12,770	13,225
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(457)	(422)
Assets acquired under finance lease	2	-
	(455)	(422)

* Includes NWFC balances

Details of Assets Held

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

	2021/22	2020/21
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 2022 is £3.747m (2020/21: £2.632m).

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.

Movement during	2021/22 £000	2020/21 £000
Cost or valuation		
At 1 April	2,380	2,378
Additions	42	2
Derecognised	-	-
As at 31 March	2,422	2,380
Amortisation & impairment		
At 1 April	(1,741)	(1,519)
Amortisation charge for the year	(158)	(221)
Derecognised	-	-
As at 31 March	(1,899)	(1,741)
Balance sheet at 31 March 2022	523	639
Balance sheet at 31 March 2021	639	859

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 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Investments	5,000	10,000	10,000	5,000
Cash & cash equivalents	-	-	17,896	22,603
Other trade receivables	-	-	1,570	3,415

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 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Borrowings	2,022	2,022	-	-
PFI and finance lease arrangements	12,434	12,925	492	452
Trade payables	-	-	3,568	6,728

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:

	2021/22	2020/21	2021/22	2020/21
Financial Liabilities at amortised cost	£000	£000	£000	£000
Interest payable relating to PFI	1,312	1,342	-	-
Interest payable relating to Borrowing	90	90	-	-
Interest payable relating to finance leases	6	7	-	-
Total expense in Deficit on the Provision of Services	1,408	1,439	-	-
Financial Assets at amortised cost				
Interest income	-	-	(206)	(253)
Total income in Deficit on the Provision of Services	-	-	(206)	(253)
Net gain/(loss) for the year	1,408	1,439	(206)	(253)

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 2022 of 4.48% to 4.49% for loans from the PWLB
- The fair values of PWLB loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity

- 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 2022		31 March 2021	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	£000	£000	£000	£000
Loans from the Public Works Loan Board	2,000	2,403	2,000	2,697
PFI Liabilities	12,795	15,941	13,202	17,324

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2022 is £2.000 million (2020/21: £2.000m) and it is due for repayment as shown in the following table:

	2021/22	2020/21
	£000	£000
Over 10 years	2,000	2,000
	2,000	2,000

9 Debtors

	2021/22	2020/21
	£000	£000
Trade debtors	2,680	3,415
VAT	246	241
Local taxation debtors	3,951	3,518
Other debtors	6,011	3,710
	12,888	10,885

10 Cash & Cash Equivalents

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

	2021/22	2020/21
	£000	£000
Cash held by the Authority	54	54
Cash held by North West FireControl (25% share)	117	148
Call account balance	17,725	22,401
	17,896	22,603

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 2022 equal to their nominal value.

11 Creditors

	2021/22	2020/21
	£000	£000
Goods and services creditors	2,734	2,905
PAYE/NI	964	876
Local taxation creditors	3,873	4,981
Other creditors	1,726	3,859
	9,296	12,621

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 2020/21 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	500	522	-	22	898	1,036	1,398	1,580
Amounts utilised	(97)	(33)	-	-	-	-	(97)	(33)
Unused amounts reversed	(37)	(100)	-	(22)	(85)	(237)	(122)	(359)
Additional provision	227	111	-	-	41	99	268	210
Balance at 31 March	593	500	-	-	854	898	1,447	1,398

13 Other Long Term Liabilities

Other long term liabilities comprise the following:

	2021/22 £000	2020/21 £000
Finance Lease Liability	33	75
PFI Liability (see Note 14)	12,351	12,795
PFI Contractor Loan (see Note 14)	50	55
Pension Liability (see Note 15)	883,218	887,280
	895,652	900,205

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 2022 the total outstanding loan was £0.055m (2020/21: £0.060m).

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.

Balfour Beatty sold its’ interest in the PFI scheme in July 2021 to BBGI, a company who already operates several PFI schemes in the UK including within the emergency services sector. BBGI undertook a refinancing deal in December 2021, resulting in a one-off saving of £0.9m for the three authorities, of which Lancashire’s share was £0.2m.

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

All PFI Schemes

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

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 2022 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	Government Subsidy
	£000	£000	£000	£000	£000
Payable in 1 year	774	444	1,284	2,502	1,734
Payable within 2-5 years	3,317	2,207	4,778	10,302	6,935
Payable within 6-10 years	4,692	4,285	4,491	13,468	8,668
Payable within 11-15 years	3,691	4,531	2,419	10,642	6,719
Payable within 16-20 years	987	1,328	247	2,562	1,617
Total	13,461	12,795	13,220	39,475	25,672

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:

	2021/22	2020/21
	£000	£000
Balance outstanding at the start of the year	13,202	13,575
Payments during the year	(407)	(373)
Balance outstanding at year end	12,795	13,202

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

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

The Authority participates in two pension schemes:

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	2,553	1,895	15,840	16,160
• Administrative expenses	34	33	-	-
• Past service cost	-	-	-	-
	2,587	1,928	15,840	16,160
Financing and Investment Income and Expenditure:				
• Interest cost	1,742	1,647	17,330	18,050
• Interest on scheme assets	(1,425)	(1,490)	-	-
	317	157	17,330	18,050
Total post employment benefit charged to the deficit on provision of services	2,904	2,085	33,170	34,210
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	2,023	1,490	3,020	55,040
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	4,927	3,575	36,190	89,250
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(4,583)	(3,234)	(9,590)	(66,880)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(344)	(341)	-	-
Net retirement benefits payable to pensioners	-	-	(26,600)	(22,370)
	-	-	-	-

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 £16.045m (2020/21: £13.813m) 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 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Opening balance at 1 April	(83,632)	(69,102)	(872,386)	(805,506)
Current service cost	(2,553)	(1,895)	(15,750)	(16,090)
Interest on liabilities	(1,742)	(1,647)	(17,330)	(18,050)
Contributions by scheme participants	(412)	(399)	(3,330)	(3,350)
Remeasurements (liabilities):				
Experience (gain)/loss	(208)	1,355	(7,270)	25,410
Gain/(Loss) on financial assumptions	1,901	(13,139)	10,290	(80,450)
Gain/(Loss) on demographic assumptions	644	(80)	-	-
Benefits/transfers paid	1,801	1,275	29,840	25,650
Past service cost	-	-	-	-
Closing balance at 31 March	(84,201)	(83,632)	(875,936)	(872,386)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Opening balance at 1 April	68,314	61,932	-	-
Interest on scheme assets	1,425	1,490	-	-
Remeasurements (assets)	8,043	5,460	-	-
Administrative expenses	(34)	(33)	-	-
Employer contributions	344	341	26,510	22,300
Contributions by scheme participants	412	399	3,330	3,350
Benefits paid	(1,801)	(1,275)	(29,840)	(25,650)
Closing balance at 31 March	76,703	68,314	-	-

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 £9.240m (2020/21: gain of £6.490m). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2022 is a loss of £266m (2020/21: cumulative loss of £280m).

Scheme history

	2021/22	2020/21	2019/20	2018/19	2017/18
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(84,201)	(83,631)	(69,102)	(69,436)	(62,839)
Firefighters Pension Scheme	(875,936)	(872,386)	(805,506)	(857,236)	(793,336)
Fair value of assets in LGPS	76,703	68,314	61,932	61,783	55,910
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	(7,498)	(15,318)	(7,170)	(7,653)	(6,929)
Firefighters Pension Scheme	(875,936)	(872,386)	(805,506)	(857,236)	(793,336)
Total	(883,434)	(887,704)	(812,676)	(864,889)	(800,265)

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, £883.434m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £753.686m (2020/21: £767.732m). 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 £7.5m deficit, the latest actuarial 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	1,147	7,806	8,953

*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 £0.4m (£0.4m employers contributions less an £24k proportion of the three year savings) has been reflected in the accounts for 2020/21 and 2021/22, with the balance of £0.2m being offset against the LGPS pension scheme liability in the Balance Sheet. The Authority's LGPS pension scheme liability of £6.2m has been reduced by the £0.2m 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	
Mortality assumptions:	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Longevity at 65 for current pensioners:						
Men	21.2	21.4	22.3	22.4	21.5	21.4
Women	23.8	24.0	25.0	25.1	21.5	21.4

Longevity at 65 for future pensioners:						
Men	21.2	22.4	23.7	23.9	23.2	23.1
Women	25.5	25.7	26.8	26.9	23.2	23.1
Rate of CPI inflation	3.15%	2.80%	3.30%	2.70%	3.00%	2.40%
Rate of increase in salaries	3.85%	3.50%	4.80%	4.20%	4.75%	4.15%
Rate of increase in pensions	3.15%	2.80%	3.40%	2.80%	3.00%	2.40%
Rate for discounting scheme liabilities	2.75%	2.05%	2.80%	2.10%	2.65%	2.00%
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 2022		Assets at 31 March 2021	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	1,571	2.1	1,484	2.2
Bonds	Y	1,861	2.4	1,291	1.9
Property	N	1,491	1.9	1,439	2.1
Cash/Liquidity	N	1,971	2.6	1,564	2.3
Other	N	69,448	91.0	62,536	91.5
		76,342	100.0	68,314	100.0

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:

Local Government Pensions Scheme (LGPS) inc NWFC:	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Experience Gains and losses on assets	(10.5)	(8.0)	1.2	8.0	1.0
Gains and losses on liabilities	(2.8)	14.2	(4.6)	(5.5)	4.2

Firefighters Pension Scheme:	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Experience Gains and losses on assets	-	-	-	-	-
Gains and losses on liabilities	(0.3)	6.3	(8.2)	2.5	(0.9)

Total of LGPS and Fire Pension Schemes:	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Experience Gains and losses on assets	(10.5)	(8.0)	1.2	8.0	1.0
Gains and losses on liabilities	(0.6)	7.0	(8.0)	1.9	(0.6)

16 Usable Reserves

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

	2021/22		2020/21	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(6,536)		(6,463)
Earmarked Reserves	(4,675)		(6,175)	
PFI Equalisation Reserve	(5,067)		(4,593)	
Total Earmarked Reserves		(9,742)		(10,769)
Total Revenue Reserves		(16,278)		(17,233)
Capital Reserves:				
Capital Funding Reserve		(17,672)		(17,967)
Capital Grants Unapplied		(40)		(101)
Usable Capital Receipts		(1,683)		(1,680)
Total Usable Reserves		(35,673)		(36,980)

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.3.20 £000	Transfers in 2020/21 £000	Transfers out 2020/21 £000	Balance at 31.3.21 £000	Transfers in 2021/22 £000	Transfers out 2021/22 £000	Balance at 31.3.22 £000
General fund	(6,350)	(113)	-	(6,463)	(404)	331	(6,536)
Earmarked Reserves	(3,344)	(3,413)	582	(6,175)	(2,035)	3,535	(4,675)
PFI Equalisation Reserves	(4,483)	(111)	-	(4,594)	(632)	159	(5,067)
Total Earmarked Reserves	(7,827)	(3,524)	582	(10,769)	(2,667)	3,694	(9,742)
Capital funding reserve	(17,582)	(547)	163	(17,967)	(3,055)	3,350	(17,672)
Capital grants unapplied	(438)	(253)	590	(101)	-	61	(40)
Usable capital receipts	(1,663)	(17)	-	(1,680)	(3)	-	(1,683)
Total Usable Reserves	(33,861)	(4,454)	1,335	(36,980)	(6,129)	7,436	(35,673)

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:

	2021/22 £000	2020/21 £000
Revaluation Reserve	(56,221)	(47,400)
Capital Adjustment Account	(39,469)	(38,893)
Pensions Reserve	883,434	887,704
Collection Fund Adjustment Account	776	2,361
Accumulated Absences Adjustment Account	839	941
Total Unusable Reserves	789,359	804,713

Revaluation Reserve

	2021/22 £000	2020/21 £000
Balance at 1 April	(47,400)	(46,544)
Upward revaluation of assets	(12,342)	(4,122)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	1,730	1,599
Difference between fair value depreciation and historical cost depreciation	1,791	1,667
Amount written off to the Capital Adjustment Account	-	-
	(56,221)	(47,400)

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

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

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

Capital Adjustment Account

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

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

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1 April		(38,893)		(39,325)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	3,002		2,504	
• Revaluation losses on Property, Plant & Equipment	72		782	
• Amortisation of intangible assets	158		221	
		3,232		3,507
Disposal of assets via the Comprehensive Income & Expenditure Statement		-		-
Adjusting amounts written out of the Revaluation Reserve		-		-
Net amount written out of the cost of non-current assets consumed in the year		3,232		3,507
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	(448)		(412)	
• Voluntary provision for financing of capital investment charged against General Fund	(10)		(10)	
• Use of capital reserves to fund expenditure	(977)		(163)	
• Capital expenditure charged to General Fund Balance	(2,373)		(2,491)	
		(3,808)		(3,075)
Balance as at 31 March		(39,469)		(38,893)

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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	887,704	812,676
Actuarial (gains) or losses on pensions assets and liabilities	(13,400)	61,444
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	36,074	36,295
Net payments to pensioners payable in the year	(26,600)	(22,370)
Employers pension contributions	(344)	(341)
	883,434	887,704

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Balance at 1 April	372	(386)	1,989	(203)	2,361	(589)
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	(511)	758	-	-	(511)	758
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	-	-	(1,074)	2,192	(1,074)	2,192
Balance at 31 March	(139)	372	915	1,989	776	2,361

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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	941	811
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(102)	130
Balance at 31 March	839	941

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 been unsuccessful in resolving the backdating aspect via a collective agreement, it has therefore utilized the normal Court provisions and backdated the provision for six years with effect from an implementation date of 1/6/21. No court proceedings have been issued against the Authority. The Pensions and contributions have been enacted back to this effective date where necessary. It is feasible that the Pension Ombudsman might uphold a complaint from an individual in respect of an earlier implementation date, and hence there remains a degree of uncertainty about future costs.

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.

Although an immediate remedy solution has been proposed by LGA and the FBU, the Treasury and Home Office have both expressed reservations about the process and have stated they will not reimburse any costs incurred other than the direct pension payments if Authorities proceed with this immediate detriment remedy. In view of the potential risk to the Authority and staff affected the Service has not progressed this remedy and is awaiting further clarification and /or a revised immediate detriment solution before progressing.

This is a country wide issue and the FBU are threatening to escalate the legal process and issue fresh proceedings. The original ET process is still ongoing and any determination in respect of the test cases will be applicable within Lancashire.

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.

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. The Government have indicated acceptance a similar provision would be enacted in respect of the relevant Firefighters Pension Schemes. Discussions are being held between the unions involved, LGA and central government in respect of impact on Call employees. A proposed remedy has been agreed and the mechanics of a solution is being determined but currently no definitive scope or methodology has been determined so it is not possible to quantify the extent of the impact especially bearing in mind the previous settlement covered the period back to 1/4/2000.

20 Post Balance Sheet Events

As at the date of signing of the accounts, 29 November 2022, there were no post balance sheet events to report.

21 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which states that any investment counterparty must have a minimum actual or implied credit rating of AA- in order to be eligible. The

Authority will also have regard to recent banking reform legislation which provides for creditor 'bail-in' rather than state 'bail-out' of banks should the bank fail. The effect of this legislation is that a local authority is likely to lose a higher proportion of any assets caught up in a credit event than almost any other type of institution. Credit risk control therefore means that unsecured bank deposits are, unless for very short duration, not suitable as an investment instrument in the future.

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

Trade debtor credit risk

The Authority does not generally allow credit for customers, such that £0.091m of the £0.104m 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 £0.015m and which is considered sufficient for this purpose.

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

	2021/22 £000	2020/21 £000
0 to 30 days	13	3
31 to 60 days	62	11
61 to 90 days	8	6
91 to 180 days	6	9
Over 180 days	15	12
	104	41

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 2022	
Year	Loan value £000
2036	650
2037	650
2038	700
Total	2,000

Market risk

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

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the deficit on the provision of services will rise

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

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

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

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 2021/22 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 2022 £000	Year ended 31 March 2021 £000
Total assets less Current Liabilities	321	317
Net liabilities*	(4,864)	(6,722)
(Loss) Before Taxation	(803)	(262)
(Loss) After Taxation	(803)	(262)
Debtor Balance (LFRS)	-	-
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,298	1,222
Invoices raised by LFRS to NW FireControl	-	-

*Net liabilities includes the future pension liabilities under IAS19 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 31/12/2022 for the final audited 2021/22 accounts.

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

	2021/22	2020/21
	£000	£000
Depreciation	4,791	4,171
Impairment & downwards valuations	72	782
Amortisation	158	221
Increase/(decrease) in provisions	48	(182)
Increase/(decrease) in creditors	(2,670)	1,686
(Increase)/decrease in debtors	(2,003)	(2,084)
(Increase)/decrease in stock	21	(42)
(Increase)/decrease in LGPS pension liability	208	(424)
Movement in pension liability	9,130	13,584
	9,805	17,713

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

	2021/22	2020/21
	£000	£000
Interest received	(67)	(98)
Interest paid	1,386	1,416

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 2021	14,795	407	115	15,317
Cash flows:				
Repayment	(445)	37	(40)	(448)
Proceeds	-	-		-
Non-cash:				
Acquisition	-	-	1	1
31 March 2022	14,350	444	76	14,870

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 2022 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 £108.9m (2020/21: £99.5m)	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. The increased replacement cost and the completion of the refurbishment of the training facilities has added another £14m to the asset value before depreciation.	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 £1.0m.
Fair Value Measurements – PFI schemes Liability carrying value £12.8m (2020/21: £13.2m) Fair value £15.9m (2020/21: £17.3m)	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 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 £1.2m.

	The bond yield rate forecasts have increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, is a product of both the underlying reduction in the liability as a result of repayments made during the year, and the increase in the future interest rates.	
Pension Liability Carrying value £883.4m (2020/21: £812.7m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to each scheme.	The effects on the net pension liability of changes in individual assumptions can be measured as follows: A 0.1% increase in these assumptions has the following effect on the net pension liability: • Discount rate – decrease of £16.9m • Inflation rate – increase of £14.9m • Pay growth – increase of £2.2m A 1 year increase in life expectancy will increase the net pension liability by £33.5m.

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:

	2021/22 £000	2020/21 £000
Expenditure		
Employee benefits expenses	40,247	43,274
Other services expenses	13,811	13,814
Support service recharges	-	-
Depreciation, amortisation and impairment	5,020	5,174
Interest payments	19,056	19,645
Gain on disposal of fixed assets	(3)	(17)
Total expenditure	78,131	81,891
Income		
Fees, charges and other service income	(2,271)	(1,389)
Interest and investment income	(206)	(253)
Income from council tax, business rates and revenue support grant	(56,515)	(53,143)
Government grants and contributions	(9,177)	(11,463)
Total Income	(68,168)	(66,248)
Surplus on the provision of services	9,962	15,643

28 Critical Judgements

Joint Operation – North West Fire Control
An assessment for Group Accounting requirements has taken place during 2021/22 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 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021, 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 – 2021/22, 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.

<u>The Firefighters' Scheme</u>

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 2021/22, 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 2021/22, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2021/22, 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 2022, 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. 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 £1.0m 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 – i.e. 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 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 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 2022/23 budget setting exercise concluded in February 2022, but are not considered to have changed significantly at this time. Our current Medium Term Financial Strategy (MTFS) shows a healthy reserves position, and a balanced budget in the short and medium term. We await the outcome of the multi-year settlement 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.

Following the consultation with CIPFA on changing the code of practice on Local Authority Accounting on the adoption of IFRS16 and the agreed postponement of the standard. The authority is going by the Financial Reporting Advisory Board advise to CIPFA to postpone the compulsory adoption of the code to the earliest date of 1st of April 2023.
The amendment to IFRS1 relating to foreign operations of acquired subsidiary will have no impact on the Authority's activities.

The IAS 37 clarification on onerous contract will not impact on the Authority, neither will the IAS41 on Agriculture.

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 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

Fund Account	2021/22 Total £000	2020/21 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(8,815)	(7,370)
- other contributions	(278)	(348)
- Members contributions	(4,330)	(3,262)
Transfers in:		
- Individual transfers from other schemes	(210)	(111)
Total Income to the Fund	**(13,633)**	**(11,091)**
Spending by the fund		
Benefits payable:		
- Pension payments	22,394	21,093
- Commutations of pensions and lump-sum retirement benefits	7,284	3,793
Transfers out:		
- Individual transfers out to other schemes	-	18
- Refunds of contributions	-	-
Total Spending by the fund	**29,678**	**24,904**
Net amount receivable for the year before top up grant receivable from central government	**16,045**	**13,813**
Top up grant receivable from central government	(16,045)	(13,813)
Net amount receivable for the year	**-**	**-**

Net Assets Statement	2021/22 £000	2020/21 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(5,086)	(3,591)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	5,086	3,591
Net current assets at the end of the year	**-**	**-**

Firefighters Pension Fund Notes

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

The above statement shows the financial position of the total fire fighters pension fund account, showing that as at 31 March 2022 the Authority is owed £5.086m (2020/21: £3.591m) 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.

<u>Contribution Rates</u>
Under the firefighters pension regulations the contribution rates during 2021/22 were as follows:

- for the 1992 scheme were circa 52.1% on average of pensionable pay (37.3% for employers and between 14.7% and 15.2% for employees dependent on salary)
- for the 2006 scheme were circa 38.3% on average of pensionable pay (27.4% for employers and between 10.9% and 11.2% for employees dependent on salary)
- for special members of the 2006 scheme were circa 52.0% of pensionable pay (37.3% for employers and between 14.7% and 14.7% for employees dependent on salary)
- for the 2015 scheme were circa 41.1% on average of pensionable pay (28.8% for employers and between 11.0% 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. One ill health retirements was recognised during 2021/22, and three in 2020/21.

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

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

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