

NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

2020/21 STATEMENT OF ACCOUNTS



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NARRATIVE REPORT

BY THE CHIEF FINANCE OFFICER

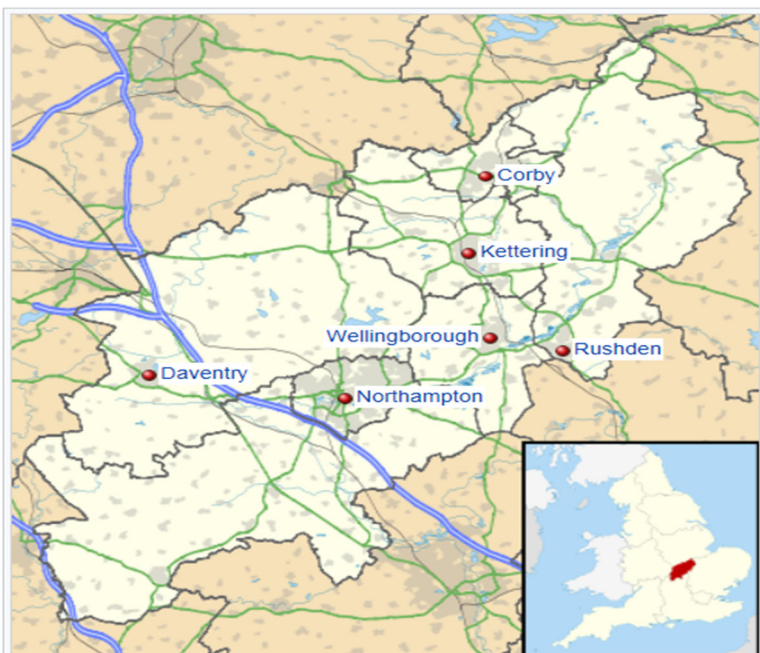
Introduction

The Authority's financial performance for the full year ended in 31 March 2021 is as set out in the Comprehensive Income & Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting United Kingdom 2020-21. It is the purpose of this report to explain, in an easily understandable way, the financial facts in relation to the Authority.

Northamptonshire

The county of Northamptonshire covers an area of 913 square miles and has an estimated population of over 755,000 people (source: Office of National Statistics mid 2019 population). It is the southern-most county in the East Midlands region and its most populated towns are Northampton, Kettering, Corby and Wellingborough. There has been a notable increase in population in recent years with some major new housing development projects and more to come.

Until 31 March 2021, the county was serviced by seven borough/district councils. These were consolidated into two unitary authorities (North Northamptonshire and West Northamptonshire) from 1 April 2021 through the reorganisation of local government in Northamptonshire as directed by Central Government. Fire and Rescue Services provided by Northamptonshire Commissioner Fire and Rescue Authority continue to be provided to the whole of Northamptonshire.



Northamptonshire is a very fast growing county and this is evidenced by the Her Majesty's Inspectorate of Constabulary, Fire and Rescue (HMICFRS) Value for Money Indicators that highlighted since 2009, Northamptonshire's population has grown by 10% in the last ten years. This is growing at a rate of 34% faster than the national population, which grew at 6.71% over the same period.

Northamptonshire Commissioner Fire and Rescue Authority (NCFRA)

The Police and Crime Act 2017 enabled Police and Crime Commissioners to have a say in the oversight of fire and rescue services within their area, subject to the approval of a business case by the Home Secretary. The aim of this legislation was to “enable fire and rescue services to work more closely together and develop the role of elected and accountable Police and Crime Commissioners.”

The Police, Fire and Crime Commissioner for Northamptonshire (Fire and Rescue Authority) Order 2018 was laid on the 12 October 2018 and established the new NCFRA with effect from 1 January 2019. The Police and Crime Commissioner for Northamptonshire (PCC) became the Police, Fire and Crime Commissioner for Northamptonshire (PFCC) from that date. Northamptonshire was the first and remains the only county Fire and Rescue Service to transfer Governance arrangements in this way.

Whilst the governance of Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) is undertaken by the PFCC and his statutory officers, it is a separate corporation sole, therefore separate budgets are allocated, separate precepts are set and the funding and accounts for NCFRA are produced separately to the PFCC accounts for policing.

The 2020-21 Statement of Accounts are the second full year set of accounts for NCFRA.

The Policing and Crime Act 2017 stipulates that a Fire and Rescue Plan must be prepared and published by a relevant Fire and Rescue Authority in accordance with the Fire and Rescue National Framework and that it should set out the Authority’s priorities and objectives, for the period covered by the document, in connection with the discharge of the Authority’s functions.

The Fire and Rescue Plan was published in 2019-20, following consultation and consideration by the Police, Fire and Crime Panel at their meeting on the 4 April 2019, alongside the Integrated Risk Management Plan (IRMP) for information and context. The Panel’s report and the PFCC’s response on the Fire and Rescue Plan are available on the PFCC website (<https://www.northantspfcc.org.uk/our-information/pfcp/reports/reports-2019/>).

Mission

The NCFRA Mission for the Fire and Rescue Plan is to:

- Prevent fires and other emergencies to keep people safe
- Protect the public
- Stabilise the organisation

Underpinning this should be a culture of continuous improvement that fosters learning within and between organisations to best serve the people of Northamptonshire. This should ensure the wellbeing of staff who do a difficult job so that they are better able to protect the public and deliver what is required of them.

Group Boundary

The Police, Fire and Crime Commissioner for Northamptonshire (Fire and Rescue Authority) Order 2018 utilised existing legislation (Specifically Section 4A of the Fire and Rescue Services Act 2004) to create a new corporation sole NCFRA, a role which is held by the Police, Fire and Commissioner, but acting as NCFRA. This legislation outlines the key responsibilities for oversight and ensuring good governance within the NCFRA.

This reflects that the government provides funding to NCFRA and is ultimately responsible for the NCFRA. This is reflected in the NCFRA Accounts being consolidated within the Whole of Government Accounts, which is the consolidation of over 9,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK’s public finances.

Therefore, whilst there is some commonality within the OPFCC, Chief Constable and NCFRA, they are three separate corporations sole, with Fire and Police created under separate legislation and with the responsibility to set up and maintain separate “Funds” for each organisation; with separate legal responsibilities and no ability to vire funds between them. As set out by CIPFA, there is not a requirement for the NCFRA Accounts to be included within the OPFCC group accounts.

The Business Case for the Governance transfer included maintaining separate management arrangements and operational functions for each service but working towards sharing of some support services and buildings where it makes sense to provide better value for money for the public of Northamptonshire and this direction of travel towards shared support teams continues. The accounts of Fire and Policing are operated separately in line with the legislation.

In line with the Home Office Financial Management Code of Practice, a collaboration agreement has been set out between the three separate organisations of: Northamptonshire Police, Fire and Crime Commissioner to set out the arrangements for working together where it would be advantageous to the parties to do so, mirroring such collaboration arrangements that Northamptonshire Police have with other Police forces.

The arrangements outlined in the legislation result in the PFCC having some influence over some policing relationships with NCFRA, and therefore there is a requirement to disclose the nature of the transactions between OPFCC and the NCFRA and this is provided within the related parties note within the statement of accounts. Most of this note relates to governance services provided by the Office of the PFCC to Fire, and minor charges for services and shared staff between Fire and Policing.

Our Vision - Making Northamptonshire Safer



Economic climate

NCFRA was established on 1 January 2019 without any reserves being transferred, therefore, the priority for the Authority was to build a stable financial platform and implemented a three year financial stability plan to ensure an appropriate level of reserves were established within three years with a financial base that was understood and supported by internal controls.

Good progress has been made and as at 31 March 2021, general reserves were in excess of the recommended level as set out within the strategy, well ahead of the three year plan. Mindful of NCFRA’s level of reserves and the

challenging financial climate for 2021-22, as part of the budget discussions, the Home Office provided additional one-off funding of £2m to NCFRA. This amount was added to general reserves in March 2021, £1m of which will be held there to provide a more resilient buffer against unforeseen circumstances and £1m will be transferred out in 2021-22 to mitigate the challenges revenue budget as a result of the COVID-19 impact on funding receipts.

The capital programme is underway to enable investment in key operational requirements including investment in new fire tenders, replacement of essential operational equipment and a joint estates strategy with the Police. In 2021, as part of the joint estates strategy, Fire have relocated to the Police Darby House building in Wellingborough where they have established their Fire HQ and are continuing to work with Police to integrate essential support services and arrangements where appropriate, building capacity and resilience and releasing efficiencies over the medium term.

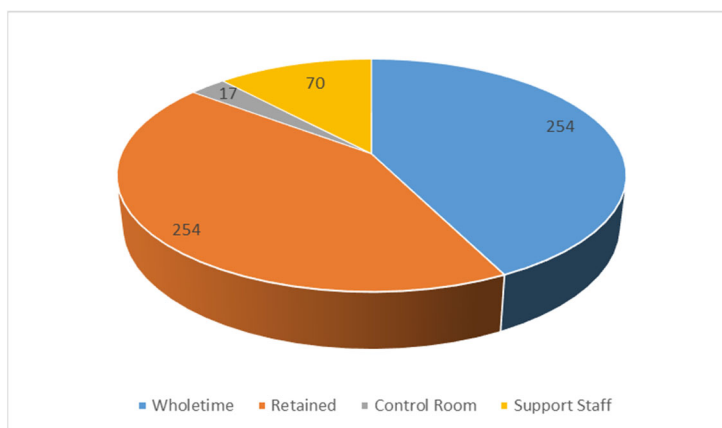
As part of the joint estate strategy, Fire purchased a building in March 2021 which will become a new joint workshop facility for Fire and Police. The previous Fire HQ and workshop will be disposed of in the coming year and the business case was supported by repurposed transformation funding from the Home Office. The Joint Police and Fire Fleet Team will operate from this workshop and take forward the joint service approach which it is anticipated will derive benefits for both services.

Joint teams for HR, Digital Services, Finance and Estates have all been established, supported by clear business cases and whilst this collaborative working will drive synergistic benefits for both services, the financial climate for NCFRA remains challenging. Fire funding only increased at the same level as pay and inflation, therefore there is no additional funding available to meet pressures, future financial shortfalls identified in the MTFP, minimal funding for essential capital expenditure or investment and transformation in the service.

The PFCC will continue to seek further funding for NCFRA whilst ensuring all opportunities are taken to identify and realise savings and efficiencies.

Our People

At 31st March 2021 NCFRA budgeted establishment was 595 and comprised as follows:



Gender Pay Gap

The NCFRA Gender pay Gap Report was published in March 2021 and key elements are set out below:

The Northamptonshire Fire & Rescue Service is required by law to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. This involves carrying out calculations that show the difference between the average earnings of men and women in our organisation; it does not involve publishing individual employees' data. The data used for the calculations is the Fire & Rescue Service's pay data as of 31st March 2020 and is the second Gender Pay Gap report produced for NCFRA.

Gender pay reporting is used to assess:

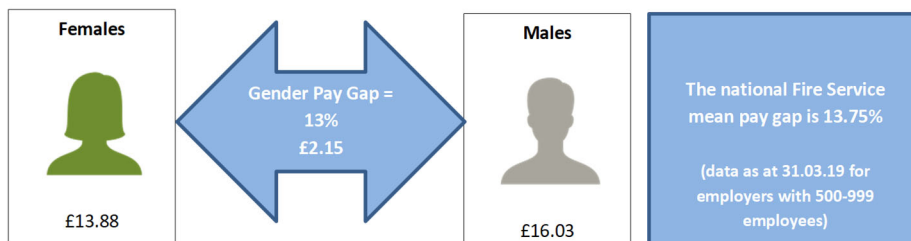
- the levels of gender equality in the workplace
- the balance of male and female employees at different levels

The national data is taken as an average of Fire & Rescue Services with 500-999 employees covering 15 authorities, it shows that the mean and median gender pay gap is currently lower than the national average.

Workforce Profile

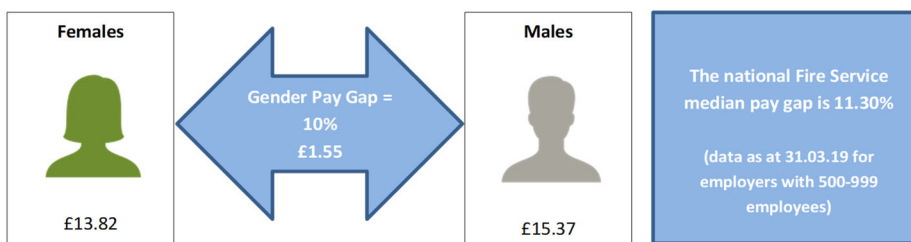
Total headcount as of the 31st March 2020 was 565 with 18.58% of these employees being female. This compares with 16% in the 2019 report.

Mean Gender Pay Gap in Hourly Pay



The national mean average gender pay gap is 13.75% (12.81% in March 2019). In Northamptonshire it is 13% (12% in March 2019) which remains lower than the national average.

Median Gender Pay Gap in Hourly Pay



The national median gender pay gap is 11.30% (9.16% in March 2019). In Northamptonshire it is 10% (6% in March 2019) which remains lower than the national average at 6%.

Appointments

The following statutory officers were in place throughout 2020-21:

- Darren Dovey, Chief Fire Officer and Head of Paid Staff.
- Helen King, Chief Finance Officer for the PFCC and NCFRA.
- Nicci Marzec, Director of Early Intervention and Monitoring Officer for the PFCC and NCFRA.

NCFRA 2020/2021 Performance

The Police Fire and Crime Commissioner produced an Annual Report for Police and Fire for consideration by the Police, Fire and Crime Panel at their meeting in June 2021. Once published, a full copy will be available on the PFCC website.

Accountability for Fire and Rescue performance and service delivery is undertaken through the Accountability Board. Members of the Board are the Commissioner (the Chair), the Monitoring Officer, the Chief Fire Officer and other Chief Officers. There is a formal agenda which has a schedule of assurance in the form of standard agenda items.

The minutes of the Accountability Board are published on the OPFCC website.

Performance for the year is summarised in the table below and full detail is available in the Police, Fire and Crime Commissioner's Annual Report.

Community Outcomes - March 2021	YTD Actuals		
	2019/2020	2020/2021	
Communities - March 2021			
No. of deliberate primary fires per 10,000 population	3.79	2.62	↓
No. of deliberate secondary fires per 10,000 population	5.82	4.38	↓
No. of primary fires per 100,000 population	132.69	108.33	↓
Number of accidental dwelling fires per 10,000 dwellings	10.49	9.89	↓
The number of deaths arising from accidental fires in dwellings per 100,000 per population	0.13	0.13	↓
The number of injuries (excluding precautionary checks) arising from accidental fires in dwellings per 100,000 population	4.68	2.52	↓
Number of fires in non-domestic premises per 1,000 non-domestic properties	6.13	4.50	↓

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection

In November 2018, prior to the governance transfer, the Fire and Rescue service were subject to a HMICFRS inspection. The report was received in June 2019 and is available on the PFCC website.

The Chief Fire Officer reviewed the findings and recommendations from the first HMICFRS inspection and prepared an improvement plan and regular updates were considered by the PFCC through the Accountability Board during the year.

A re-visit by Inspectors in June 2019 showed that NFRS had made significant improvement and between 2nd and 5th March 2020, the Inspectors visited again to check progress against the improvement plan. The Inspectors found that NFRS had prioritised improvement and that there was no longer a cause for concern about their performance. In a letter to the Chief Fire Officer, the Inspectors said that "the tangible improvements we saw have mitigated the risks to public safety that we identified in our original inspection". They identified that:

- Measures introduced to improve fire engine availability are proving effective, with a minimum number achieved on 95%-99% of occasions - "a vast improvement" according to the report
- Staff are now all up to date with their safety-critical training

HMICFRS have recognised that Northamptonshire Fire and Rescue Service have displayed a strong commitment to resolve the issues they were concerned about and have made the necessary improvement activity a high priority. Better co-ordination of staff has improved fire engine availability, safety critical training is now up to date and performance data is being used more effectively to aid decision making. The Inspectors have advised they do not need to revisit the service to monitor these areas of performance.

The next full HMICFRS Inspection is scheduled for Autumn 2021.

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how Fire and Rescue services in England are responding to the COVID-19 pandemic. Northamptonshire were visited in September 2020 and received positive feedback across the areas covered by the review, which were:

- Preparing for the Pandemic
- Fulfilling statutory functions
- Staff health and safety and wellbeing

- Working with others and making changes locally
- Use of resources
- Governance of the service response
- Looking forward

The letter is available on the HMICFRS website at the following link: [COVID-19 inspection: Northamptonshire Fire and Rescue Service - HMICFRS \(justiceinspectorates.gov.uk\)](https://www.justiceinspectorates.gov.uk/covid-19-inspection-northamptonshire-fire-and-rescue-service/).

Financial Performance

As at year end, NCFRA underspent by £673K after planned transfers to reserves ahead of the three year financial stability plan.

The three year plan was to build general and earmarked reserves to sustainable levels to meet planned and unforeseen events and, where appropriate, to mitigate the impact of future financial challenges on the MTFP. NCFRA made good progress in building reserves following the governance transfer in January 2019. Following representation by NCFRA, in March 2020, the Home Office provided £2m to support the Authority, of which £1m was to increase the general reserve to a sustainable level and £1m to support the 2021-22 revenue budget as funding streams had been significantly impacted by COVID-19.

Following the first year Internal Audit reviews in 2019-20, some significant progress has been made in building internal controls in 2020-21, and this work will continue in 2021-22 to take forward and embed internal controls particularly in the areas of asset management, financial and procurement requirements.

Being a separate organisation does bring with it additional benefits, however, these benefits have on occasion been different to some of the previously established ways of working within the service. In the second full year following governance, NCFRA have made further progress in taking on these challenges and will continue to embed these further in the third year of the stability plan.

2020-21 was an unprecedented year with the significant impact of COVID-19. This changed working practices and some focus throughout the financial year. Whilst business as usual continued, NCFRA also provided a fundamental role in the local partnership response, supporting Northamptonshire during the pandemic. Support included ambulance driving, mortuary support, logistics and distribution and assisting with the vaccination programme. Additional costs were incurred which were met in the main by Home Office and MCHLG funding, with the sum of £230K set aside to meet expenditure in 2021-22.

The NCFRA outturn for 2020-21 was as follows:

Budget Heading	Budget £000	Outturn £000	Variance £000
Expenditure:			
Response Control	735	805	70
Retained Firefighters	2,122	1,856	(266)
Wholetime Firefighters	13,209	13,102	(107)
Other Fire Budgets	9,223	8,693	(530)
Transfers to Reserves	30	2,480	2,450
Pensions Grant	(1,186)	(1,186)	-
Total Net Expenditure	24,133	25,750	1,617
Funding			
Council Tax Precepts	(15,478)	(15,478)	-
Council Tax Surplus	(167)	(167)	-
Home Office Special Grant	-	(2,000)	(2,000)
Business Rates and Other Grants	(8,488)	(8,687)	(199)
Tax Income Guarantee	-	(91)	(91)
Total Income	(24,133)	(26,423)	(2,290)
Year End Underspend	-	(673)	(673)

Despite the unprecedented year, there was reduced volatility in most budgets during the year as budget forecasting has developed further across many areas, enabling a firmer baseline to be established on which to base strategic and operational decisions. However, some areas such as ICT and property continued to be volatile and further work will take place with the budget holders in those areas.

As set out within the Reserves Strategy, the Year End Underspend has been transferred to Reserves, of which £99K will be allocated to an earmarked reserve to meet specific expenditure in 2021-22, with the balance allocated to the funding and transformation reserves.

Response Control

COVID-19 impacted on attrition levels, resulting in an overspend at year end.

Retained and Wholetime Firefighters

Wholetime firefighter costs were lower than anticipated due to delays in recruitment. Furthermore, wholetime bank and overtime and retained costs are demand driven and were lower than anticipated during the year due to the impact of COVID-19.

Other Fire Budgets

Whilst most budgets came in broadly within budget, training costs were significantly lower due to delayed training the impact of COVID-19 and the Contingency was unspent and ring fenced to support the 2021-22 budget. Both the ICT and property budgets experienced volatility during the year and resulted in significantly higher than anticipated underspends at year end.

Transfers to Reserves

Transfers to reserves totalled £2.5m, which included the additional Home Office funding. A further £673K was transferred as a result of the year end underspend.

Funding

Additional Business Rates were forecast during the year based on actual receipts, together with additional Tax Income Guarantee Funding and Home Office Special Grants.

Capital

NCFRA have a significant capital programme requirement following many years of under investment. The programme is continually reviewed to ensure that it is affordable alongside the revenue budget and MTFP. In 2020-21, a capital programme of £5.3m had been approved and expenditure totalled £4.2m as set out below:

Scheme	Outturn £000
Fleet	269
Estates	3,488
ICT	402
Operational Equipment	80
Total Capital Expenditure	4,239

The main expenditure related to the purchase of the workshop which was the sole element of the programme. The sum of £3.3m was borrowed for the purchase of the workshop and capital receipts, grants and revenue contributions comprised the funding balance.

Balance Sheet

The Balance Sheet as at 31 March 2020 is the closing balance for the 2019-20 accounts.

Fixed Assets

NCFRA owns twenty four properties across Northamptonshire, of which all but one are freehold.

Borrowing

NCFRA undertook borrowing during the year of £3.3m for the workshop for a term of 40 years and does not hold any short term loans.

Reserves

As at 31 March 2021, NCFRA hold £5.472m in reserves as follows:

Reserve	2020/21 £000
General Fund	3,000
Capital and S106 Reserves	1,193
Earmarked Revenue Reserves	1,279
Total Reserves	5,472

General Reserve

Planned underspends, reserve contributions and additional Home Office funding have enabled NCFRA to build the level of general reserves to a sustainable level ahead of the timescale set out in the three year financial stability plan. General reserves were approximately 12% on 31 March 2021, but reduced by £1m to nearer 8% on 1 April 2021 as they have been used to support the revenue budget for 2021-22.

Earmarked Revenue Reserves

NCFRA hold a number of earmarked revenue reserves which are used to mitigate funding variations on the revenue budget, support one off revenue costs and transformation initiatives.

Insurance Reserve

Professional advisors have considered the last eight years of Fire claims whilst within NCC, together with the first two and a quarter years of activity and the excess levels for the categories of insurance. In line with previous years, they have advised that a reserve of £250K should continue to be maintained until the position becomes clearer.

Capital and S106 Reserves

NCFRA hold a number of reserves and S106 developer contributions set aside to meet Capital expenditure with a view to minimising future capital financing costs on the revenue budget. These reserves will be utilised in accordance with the requirements of the conditions and applied to finance expenditure with a view to minimising future capital financing costs on the revenue budget.

Events after the Balance Sheet Date

There were no events highlighted after the Balance Sheet date.

The 2020-21 Statement of Accounts

Each year NCFRA publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. This is the third set of Accounts for NCFRA (second full year) and these accounts relate to the year ended 31 March 2021.

The Statements of Accounts for 2020-21 has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom'. This sets out the accounting principles and practices required to present a true and fair view of the financial position of a local Council and is based on International Financial Reporting Standards (IFRS).

Accounts drawn up under the Code assume, for example, that a Fire Authority local authority will continue to operate for the foreseeable future. This assumption is made because Fire Authorities carry out functions essential to the local community and receive council tax, business rates and grants.

The Core Financial Statements are set out on **pages 23 to 26** and consist of the following, which are explained in more detail in the notes to the accounts:

- **Comprehensive Income and Expenditure Statement** – this statement provides a summary of the resources which have been applied and generated in providing services and managing the Authority during the year;
The headline figures and messages from this statement for **NCFRA** are that the Total Comprehensive Income and Expenditure was a deficit of £35.667m. This was mainly due to remeasurement of the pension assets of £32m and the deficit on provision of services of £5.142m.
- **Balance Sheet** - setting out the assets and liabilities recognised by NCFRA at the balance sheet date, the bottom line is effectively the net worth of the organisation The NCFRA holds sufficient current assets to discharge its current liabilities, however the long term liability which is the pension commitments is not able to be funded by the assets held and will be funded by revenue funding when the liability becomes payable.
- **Movement in Reserves Statement** – shows the movement from the start of the year to the end 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 ‘unusable reserves’. This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
The headline figures and messages from this statement for **NCFRA** are the usable reserves have increased by £2.6m which will help improve the resilience of the organisation going forward.
- **Cash Flow Statement** – outlines the changes in the cash and cash equivalents, for example, changes in debtor balances (those owing NCFRA money) and creditor balances (those which NCFRA owes money to) during the year. The statement shows how NCFRA generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
The headline figures and messages from this statement for **NCFRA** are that following a transfer of £3m to short term investments the cash position is £2.8m which is sufficient for the authority to fulfil their ongoing obligations.

Risk Management

The manner in which NCFRA manages its response to various risks is part of a continuum of risk management that takes into account the National Security Strategy, the National Risk Register and the NCFRA risk registers. Risks are regularly considered at the Joint Independent Audit Committee (JIAC) and the last update was considered in March 2021.

Managing risk and business continuity arrangements are a key aspect of NCFRA’s governance arrangements. As a Category 1 responder under the Civil Contingencies Act 2004, the Authority is required to have in place business continuity arrangements to ensure that continuity of service can be provided for foreseeable events that may impact upon the delivery of services.

The most significant risks to NCFRA have related to the operational risks required following the HMICFRS inspection and ensuring sufficient level of reserves and funding levels over the medium term.

Future funding is uncertain with a potential future review of the Fire funding formula to be considered and details on the next spending review also awaited.

Furthermore, the longer term impact of Brexit and the ongoing implications of Covid-19 adds to these uncertainties.

The 2021-22 Budget and Medium Term Outlook

NCFRA has adopted a prudent approach to budgeting that is both affordable and sustainable over the medium term.

The PFCC has set a balanced budget for Fire for 2021-22 where all funding for Fire is allocated to support Fire delivery and which:

- meets current operational requirements,

- provides for essential operational equipment,
- continues to demonstrate commitment and support to enabling services,
- provides a sustainable level of reserves,
- contributes towards the final year of transition costs of Fire Governance,
- continues to provide essential investment in a capital programme; and
- looks towards balancing the budget over the MTFP.

The budget was approved by the PFCC in January 2021 and considered at the Police, Fire and Crime Panel in February 2021. The 2021-22 budget for NCFRA is a balanced budget.

In considering the Fire budget and proposed precept for 2021-22, the PFCC considered the core spending power issued for standalone Fire and Rescue Authorities (FRAs) and as was the case previously, Northamptonshire is still funded second lowest of the 30 FRAs in England, only just higher than Shropshire.

Whilst Northamptonshire and Shropshire did receive fractionally higher increases in core spending power than other authorities in the settlement, there remains a stark variation in budgets. The third lowest funded FRA still receives £4m more in core spending power than Northamptonshire.

When core spending power and usable reserves are combined, Northamptonshire have the lowest level of available resources to support Fire activities nationally and the PFCC continues to lobby the Home Office to provide a fairer funding position.

He was also informed by a consultation of 2,838 residents of Northamptonshire, for which Fire received a positive response as follows:

Around 74% of residents were prepared to pay more for Fire services, of whom 51% were prepared to pay an increase of £5 and 75% were prepared to pay £5 or more.

Respondents were also given the opportunity to comment on the consultation, together with stating how good a job the Fire and Rescue Service did. Approximately 74% of residents thought Fire were doing a good or excellent role, less than 2% of residents advising poor or very poor. 10% of residents thought they were doing a fair job and 17% did not know.

On the basis of the consultation, despite lobbying for the ability to increase the precept by £5, the referendum limit remained at 1.99% and the PFCC increased the Fire precept from £61.97 to £63.20, an increase of 1.99%, £1.23 per Band D property, the maximum increase available.

Given the tight financial climate and the need to invest in a Capital Programme, although the 2021-22 budget is balanced, the impact of investing in a Capital Programme and the COVID-19 impact on current and future funding levels, there is a shortfall in the future years. A savings plan has been developed which is under discussion with the Home Office and goes some way to addressing these forecast future shortfalls.

The Fire budget and precept continues in taking forward the statutory duty to collaborate for the three emergency services. This means that the services should be actively seeking opportunities to work together to deliver more efficient and effective public services.

By June 2021, a number of proposals for enabling services joint teams have already been approved. These, together with interoperability proposals will provide opportunities for efficiencies and greater integration between police and fire and rescue to realise savings to meet financial challenges, increase capacity and resilience and reinvest where possible in frontline services.

As set out in the Medium Term Financial Plan considered at the Police, Fire and Crime Panel in February 2021, if no savings are made, the following shortfalls have been identified after 2021-22:

	Cumulative Shortfalls £000				
	2021-22	2022-23	2023-24	2024-25	2025-26
Shortfall	-	2,049	2,603	3,054	4,062

The Medium Term is kept under review and was updated in June and July 2021 to reflect joint Police/Fire business cases, updated taxbase assumptions and 2021 pay awards.

A savings plan was agreed at the Accountability Board in June 2021 and is being progressed. If required, these savings, together with the use of reserves, could be used to balance the medium term budget until the end of 2024-25 whilst still maintaining reserves at a minimal but manageable level. Based on current forecasts, after this time, reserves would be exhausted before the end of 2025-26.

For information on the accounts, in the first instance, please contact:

Deanna Sharratt, Finance Advisor: Deanna.Sharratt@northants.pnn.police.uk

You have the right to inspect our accounts each year before the external audit is completed. We advertise the dates during which you can inspect the accounts in the local press. Our accounts are audited by Ernst and Young, they are the auditors appointed by the PSAA.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police, Fire and Crime Commissioner's responsibilities

The Police, Fire and Crime Commissioner 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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I certify that these accounts were considered and approved.



Stephen Mold, Police, Fire and Crime Commissioner for Northamptonshire

Date: 25 February 2022

The Chief Finance Officer's responsibilities

- The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that are reasonable and prudent.
- Complied with the local authority Code.

The Chief Finance Officer has also:

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

The Chief Finance Officer's certificate

I certify that the Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code and present a true and fair view of the financial position of the Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.



Helen King

Chief Finance Officer and S151 Officer, Northamptonshire Commissioner Fire and Rescue Authority

Date: 25 February 2022

STATEMENT OF ACCOUNTING POLICIES

1. Accounting Policies

The Financial Statements must meet the accounting requirements of the CIPFA Code of Practice on Local Authority Accounting which has been agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21. The accounting policies contained in the CIPFA Code of Practice follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to Local Authority Accounts, as determined by HM Treasury, who are advised by the Financial Reporting Advisory Board. Where the CIPFA Code of Practice on Local Authority Accounting permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Authority for the purpose of presenting fairly the position of the Authority is selected. The particular policies adopted by the Authority are described below and they have been applied consistently in dealing with items considered material in relation to the Accounts.

Accounting Convention

These Accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Where appropriate, financial assets and liabilities have been impaired or discounted to bring them to fair value.

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another. The Authority has not acquired or discontinued any operations during the reporting period.

Going Concern

These accounts have been prepared on a going concern basis.

The concept of a going concern assumes that the functions of the Northamptonshire Commissioner Fire and Rescue Authority will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2020/21) in respect of going concern reporting requirements reflect the economic and statutory environment in which fire and rescue services operate.

These provisions confirm that, as fire and rescue services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Fire and Rescue services carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a fire and rescue authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a fire and rescue authority and service will continue to operate for the foreseeable future.

Going Concern – Impact of COVID 19

The concept of a going concern assumes that the functions of the Northamptonshire Commissioner Fire and Rescue Authority will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2020/21) in respect of going concern reporting requirements reflect the economic and statutory environment in which fire and rescue services operate. These provisions confirm that, as fire and rescue services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Since April 2020, NCFRA has been awarded COVID grant funding of over £800K and at the end of 2020/21, over £200K was still available to meet costs in future years. In addition to this, NCFRA received additional Council Tax and Business Rate support funding and £2m from the Home Office, all of which has helped to mitigate the financial

impact of COVID on the Authority. Monthly monitoring was instigated in April 2020 for COVID costs and has continued throughout the year. It is now undertaken quarterly for the Home Office. During 2020/21, HMICFRS also reviewed the financial claiming and monitoring arrangements and Internal Audit reviewed the arrangements, neither of whom raised any concerns.

Whilst it is envisaged the grant will be fully utilised by the end of 2021/22, the Authority does not currently envisage a financial viability concern arising from the Covid-19 pandemic in this period.

Following the Home Office support and active lobbying, the 2022/23 provisional finance settlement provided NCFRA with the ability to levy an increased precept, thus raising an additional £1m in funding to that anticipated on the base budget each year. Additionally a special grant has been received of £0.4m for 2022/23. As such the annual budget has increased by £1.8m from 2021/22.

A prudent approach had been built into the 2022/23 Budget and Medium-Term Financial Plan (MTFP) and the precept proposal was considered on 3 February 2022 at the Police, Fire and Crime Panel. The precept proposal is based on a balanced budget each year for the period 2022/23 to 2024/25. Some realistic and operationally agreed savings plans have been identified for 2022/23 and future years. These savings and reserves are sufficient to meet financial challenges and future years should they be required. As at March 22 total reserves are forecast to be over £4.4m.

NCFRA have undertaken cashflow modelling which demonstrates the Authority's ability to work within its Capital Financing Requirement and has a realistic headroom on a £27m annual budget, together with sufficient scope for borrowing if required.

At the time of the approval of the accounts, the Authority has only one long term borrowing which is well below the Authority's operational boundary and authorised limit. The costs are included within the MTFP.

NCFRA therefore concludes that it is appropriate to prepare the financial statements on a going concern basis and that NCFRA will continue to be a going concern, 12 months from the date of the approval of these accounts.

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.
- Fees, charges and rents due are accounted for as income at the date the Authority provides the relevant goods or services.
- Interest payable on borrowings and receivable on investments is accounted for as expenditure or income respectively 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 has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 salaries, paid annual leave and flexitime, bonuses and non-monetary benefits (for example cars) for current employees and are recognised as an expense in the year in which employees render service to the Authority. The CIPFA Code of Practice on Local Authority Accounting requires the Authority to recognise the amount of untaken annual leave at the 31st March as a liability which is reflected on the Balance Sheet. To ensure consistency annual leave costs have been reflected in the year in which the annual leave should have been taken.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or of an officer's decision to accept voluntary redundancy in exchange for those benefits. These are charged on an Accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Retirement Benefits

Employees of the Authority are members of the following pensions schemes:

- The 1992, 2006, 2015 and Modified Firefighters' Pension Schemes (FPS) - these are unfunded schemes, which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual payments as they fall due. The Authority is required by legislation to operate a Pension Fund, with the amounts that must be paid into or out of the Pension Fund being specified by regulation. The Authority set up a Pension Fund on 1 April 2006 from which pension payments are made and into which contributions, from the Authority and employees, are received. The Pension Fund receives a top-up grant from the Government equal to the deficit each year, with any surplus on the Pension Fund being repaid to the Government. The Pension Fund is shown separately in the Accounts
- The Local Government Pension Scheme (LGPS) for support staff, administered by the Northamptonshire Pension Fund, is a funded scheme, which means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment Assets.

The above schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. They are accounted for in accordance with the requirements for Defined Benefits Schemes, based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though this may be many years into the future.

A pensions Asset or Liability is recognised in the Balance Sheet, made up of the net position of retirement Liabilities and pension scheme Assets. Retirement Liabilities are measured on an actuarial basis using the projected unit method, by assessing the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Pension scheme assets (LGPS only) attributable to the Authority are included at their Fair Value. The Authority currently has a net pensions liability and this is matched in the Balance Sheet by a Pensions Reserve. The change in net pensions Liability during the year is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in Liabilities as a result of service earned by employees in the current year. This is charged to services within the Comprehensive Income and Expenditure Statement

- Past service cost – the increase in Liabilities as a result of a scheme amendment or curtailment whose effect relates to service earned in earlier years. This is part of the services line in the Comprehensive Income and Expenditure Statement
- Net interest on the net defined benefit Liability – the change during the period in the net defined benefit Liability that arises from the passage of time. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit Liability at the end of the period, taking into account any changes in the net defined benefit Liability during the period as a result of contribution and benefit payments. This is charged to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- The return on plan assets (LGPS only) – this excludes amounts included in net interest on the net defined benefit Liability and is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions Liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid / benefits paid – cash paid as employer’s contribution by the Authority either to LGPS or directly to pensioners to reduce the scheme Liabilities.

Statutory provisions require that the amount charged to the General Fund Balance is that payable by the Authority to Pensions Funds or directly to pensioners during the year rather than that calculated under accounting standards. This means that an appropriation to or from the Pensions Reserve is done within the Movement in Reserves Statement to replace the notional sums for retirement benefits with the actual pensions costs. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Other Expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the Fair Value of the consideration payable.

Property, Plant and Equipment

Recognition

Property, plant and equipment is capitalised if:

- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has a cost of at least £6,000 or is part of a project or replacement programme costing above £6,000.

Where a large Asset, for example a building, includes a number of components with significantly different Asset lives (a minimum of 5 years), the components are treated as separate Assets if they have a cost that is a significant proportion of the whole Asset (a minimum of 25%). The components are treated as separate Assets and depreciated over their useful economic life.

Donated Assets are recognised at their value and are defined in the CIPFA Code of Practice on Local Government Accounting as those Assets that are transferred at nil value or acquired at less than Current Value. Donated Assets that are from other public bodies are accounted for as a government grant (as required by IAS 20).

Valuation

All property, plant and equipment are measured initially at cost, representing the cost attributable to acquiring or constructing the Asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All Assets are measured subsequently at Current Value.

Land and buildings used by the Authority are stated in the Balance Sheet at their re-valued amounts, being the Current Value at the date of valuation. Revaluations are performed with sufficient regularity to ensure that carrying

amounts are not materially different from those that would be determined at the end of the Reporting Period. Current Values are determined as follows:

- Operational Buildings – Depreciated Replacement cost.
- Land and non-specialised buildings – Current value for existing use.
- Vehicles, plant and equipment – historic cost less accumulated depreciation (as a proxy for current replacement cost).

Properties in the course of construction are carried at cost, less any impairment loss. Costs include professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at Current Value. Assets are re-valued and Depreciation commences when they are brought into use. An increase arising on revaluation is taken to the Revaluation Reserve except when it reverses an impairment previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an Impairment charged to the Revaluation Reserve to the extent that there is a balance on the Reserve for the Asset, and, thereafter, to expenditure. Gains and losses recognised in the Revaluation Reserve are reported as other comprehensive income in the Comprehensive Income and Expenditure Statement.

Disposals

Capital receipts from the sale of non-current assets are held in the Capital Receipts Unapplied Account until such time as they are used to finance other Capital Expenditure or to repay debt. Gains and losses on the disposal of non-current assets are recognised in the Comprehensive Income and Expenditure Statement.

Depreciation and Impairments

Depreciation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their Useful Economic Lives, on a straight line basis. The Useful Economic Life of an Asset is the period over which the Authority expects to obtain economic benefits or service potential from the Asset. This is specific to the Authority and may be shorter than the physical life of the Asset itself. The Useful Economic Life and Residual Values are reviewed each year end, with the effect of any changes recognised on a prospective basis. The approximate average useful lives (depreciation periods) are categorised below:

- Buildings 30 – 40 years
- Vehicles – Fire Appliances 15 years
- Vehicles – Lorries and Vans 7 years
- Vehicles – Non FDS Cars and Light Vans 7 years
- Vehicles – FDS Cars 5 years
- Equipment 5 years
- Specialised Equipment (e.g. Breathing Apparatus) 10 Years

Assets acquired under Finance Leases are Depreciated over the term of the lease (or the life of the asset if this is lower than the term of the lease) on a straight line basis.

At each reporting period end, the Authority checks whether there is any indication that any of its non-current Assets have suffered an impairment loss. If there is indication of an Impairment loss, the recoverable amount of the Asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an Impairment loss, the Asset is written down to its recoverable amount, with the loss charged to the Revaluation Reserve to the extent that there is a balance on the Reserve for the Asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the Asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the Revaluation Reserve.

The Authority is not required to raise council tax to cover Depreciation and Impairment, however it is required to make an annual provision from its revenue budget to contribute towards the reduction in its overall borrowing requirement, the Minimum Revenue Provision (MRP). The Authority borrowed for the first time in 2020-21 for

capital purposes. The policy is to charge MRP over the life of the asset from the year after the asset acquired comes into use, so the MRP charge for 2020-21 is zero and a first charge will be made in 2021-22.

Government Grants

Government grants are grants from Government bodies. Revenue grants are matched against the expenditure to which they relate. Capital grants are credited to income once any conditions of the grant have been satisfied. Assets purchased from government grants are valued, Depreciated and Impaired as described for purchased Assets.

Leases

Leases are classified as Finance Leases when substantially all of the risks and rewards of ownership are transferred to the lessee. All other leases are classified as Operating Leases.

The Authority As A Lessee

The Authority has a single asset held under a Finance Lease (a vehicle). The outstanding Liability relating to Finance Leases is reflected in the Authority's Balance Sheet, with the Assets acquired under Finance Leases added to the Authority's Asset register and the value reflected in the Property, Plant and Equipment total on the Balance Sheet. Interest costs relating to Finance Leases are reflected in the Comprehensive Income and Expenditure Statement. Payments for Finance Leases are made in equal amounts over the term of the lease. Operating Lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a Liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an Operating Lease. Leased buildings are assessed as to whether they are Operating Leases or Finance Leases.

Inventories

Inventories are valued at the lower of cost and Net Realisable Value using the average cost method. This is considered to be a reasonable approximation to Fair Value.

Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. The balances on the current account and the business reserve account are cash. The balance in the liquidity manager account is a cash equivalent (as this is held for investment purposes until a sufficient balance is achieved and a short-term investment entered into). In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Authority's cash management.

Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

Reserves

The Authority sets aside specific reserves for future policy purposes. Details of these reserves are provided in the relevant note to the Accounts. The Authority has the following reserves:

- General Reserve
- Insurance
- Funding Reserve
- Transformation Reserve
- Carry Forwards Reserve
- Equipment Reserve
- S106 Developer Contributions
- Capital Receipts Reserve
- Capital Grants Unapplied Reserve
- Capital and ESN Reserve

Other reserves held by the Authority, are held to meet accounting requirements:

- Revaluation Reserve
- Pension Reserve
- Capital Adjustment Account
- Accumulated Absence Reserve

Financial Assets

Financial assets are recognised when the Authority becomes party to the Financial Instrument contract or in the case of trade receivables, when goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the Asset has been transferred. Financial Assets are initially recognised at Fair Value.

Financial Assets are classified into the following categories: Financial Assets at Fair Value through profit and loss; held to maturity investments; available for sale Financial Assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Loans and receivables are non-derivative Financial Assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at Amortised cost using the Effective Interest Method, less any Impairment. Interest is recognised using the Effective Interest Rate Method.

Fair Value is determined by reference to quoted market prices where possible, or failing that by reference to similar arms-length transactions between knowledgeable and willing parties.

The Effective Interest Rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

At the end of the reporting period the Authority assesses whether any Financial Assets, other than those held at 'Fair Value through profit and loss' are impaired. Financial assets are impaired and Impairment losses recognised if there is objective evidence of impairment, as a result of one or more events which occurred after the initial recognition of the Asset and which has an impact on the estimated future cash flows of the Asset.

For Financial Assets carried at amortised cost, the amount of the Impairment loss is measured as the difference between the Assets carrying amount and the present value of the revised future cash flows discounted at the Asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the Asset reduced directly.

If, in a subsequent period, the amount of the Impairment loss decreases and the decrease can be related objectively to an event occurring after the Impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the Impairment is reversed does not exceed what the amortised cost would have been had the Impairment not been recognised.

Financial Liabilities

Financial Liabilities are recognised in the Balance Sheet when the Authority becomes party to the contractual provisions of the Financial Instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the Liability has been paid or expired. Financial Liabilities are recognised at Fair Value.

Exceptional Items

Exceptional items shall be included in the costs of the service to which they relate and noted accordingly.

Events After The Reporting Period

Material events after the Balance Sheet date shall be disclosed as a note to the Accounts and amended in the Accounts as required. Other events after the Balance Sheet date will be disclosed in a note with an estimate of the likely effect.

VAT

Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of Non-Current Assets.

ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDING 31 March 2021

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure/Income (-)		Note Ref	Gross Expenditure	Gross Income	Net Expenditure/Income (-)
£000	£000	£000			£000	£000	£000
38,209	(6,967)	31,242	Fire and Rescue Services		33,060	(10,133)	22,927
38,209	(6,967)	31,242			33,060	(10,133)	22,927
225	0	225	Other Operating Expenditure		35	-	35
7,524	(23)	7,501	Financing and Investment Income\Expenditure		6,525	(3)	6,522
-	(23,699)	(23,699)	Taxation and Non Specific Grant Income	3	-	(24,342)	(24,342)
		15,269	Surplus(-) or Deficit on Provision of Services				5,142
		(48)	(Surplus) or deficit on revaluation of non current assets	9			(1,506)
		(30,287)	Remeasurements of the net defined benefit liability (asset)	26.2			32,031
		(30,335)	Other Comprehensive Income and Expenditure				30,525
		(15,066)	Total Comprehensive Income(-) and Expenditure				35,667

MOVEMENT IN RESERVES STATEMENT

FOR THE YEAR ENDING 31 March 2021

	General Fund	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2019	(499)	(773)	(1,020)	(19)	(2,311)	267,428	265,117
Movement in Reserves for 2019-20							
Total comprehensive income and expenditure	15,269	-	-	-	15,269	(30,335)	(15,066)
Adjustments between accounting and funding basis under regulations (note 7)	(15,937)	-	68	-	(15,869)	15,869	-
Transfer to Earmarked Reserves	-	-	-	-	-	-	-
(Increase)/decrease in the 3 months to 31 March 2019	(668)	-	68	-	(600)	(14,466)	(15,066)
Balance carried forward at 31 March 2020	(1,167)	(773)	(952)	(19)	(2,911)	252,962	250,051

Movement in Reserves during 2020-21							
Total comprehensive income and expenditure	5,142	-	-	-	5,142	30,525	35,667
Adjustments between accounting and funding basis under regulations (note 8)	(8,377)	255	400	19	(7,703)	7,703	-
Transfer to Earmarked Reserves	1,403	(1,403)	-	-	-	-	-
(Increase)/decrease in 2020-21	(1,832)	(1,148)	400	19	(2,561)	38,228	35,667
Balance carried forward at 31 March 2021	(3,000)	(1,921)	(551)	-	(5,472)	291,190	285,718

BALANCE SHEET
AS AT 31 March 2021

31 March 2020			31 March 2021	
£000		Notes	£000	
37,386	Property, Plant and Equipment	9	40,989	
37,386	Long Term Assets		40,989	
208	Inventories	10	237	
3,275	Short Term Debtors	11	5,238	
-	Short Term Investments	12	3,000	
6,688	Cash and Cash Equivalents	12	2,808	
10,171	Current Assets		11,283	
(6,568)	Short Term Creditors	14	(5,333)	
(530)	Provisions	14a	(502)	
(7,098)	Current Liabilities		(5,835)	
-	Long Term Borrowing	16.1	(3,300)	
(290,509)	Other Long Term Liabilities	16.2	(328,855)	
(290,509)	Long Term Liabilities		(332,155)	
(250,051)	Net Liabilities		(285,718)	
(2,911)	Usable Reserves	17	(5,472)	
252,962	Unusable Reserves	18	291,190	
250,051	Total Reserves		285,718	

Helen King

Helen King
Chief Finance Officer and S151 Officer, Northamptonshire Commissioner Fire and Rescue Authority

Date: 25 February 2022

CASH FLOW STATEMENT

FOR THE TWELVE MONTHS ENDED 31 March 2021

2019/20		2020/21
£000		£000
(15,269)	Net Surplus on the provision of services	(5,142)
1,727	Depreciation and impairment	1,648
-	Movement in Impairment for Bad Debts	-
4,577	Increase/Decrease(-) in Creditors	(1,326)
(830)	Increase(-)/Decrease in Debtors	(1,963)
19	Increase(-)/Decrease in Inventories	(29)
(299)	Additions of PPE Assets	(4,347)
13,894	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	6,378
(63)	Increase/Decrease(-) in Long Term Liabilities	-
-	Increase(-)/Decrease in Investments	(3,000)
-	Proceeds from Borrowing	3,300
459	Other Non Cash Movements	541
4,215	Net cashflows from operating activities	(3,940)
	Net cashflows from investing activities	
-	Proceeds from Sale of Assets	60
4,215	Net Increase /Decrease (-) in cash and cash equivalents	(3,880)
2,473	Cash and Cash equivalents at the beginning of the reporting period	6,688
6,688	Cash and Cash equivalents at the end of the reporting period	2,808

NOTES TO THE ACCOUNTS

The notes provided in the following pages are intended to aid interpretation of the financial statements set out on pages 27 to 48 and provide further information upon the financial performance of the Authority during 2020/21.

1 Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with proper accounting practices. Income and expenditure accounted for under proper accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Surplus Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	2019-20 Net Surplus in the Comprehensive Income and Expenditure Statement		Net Surplus Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	2020-21 Net Surplus in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
15,305	15,937	31,242	Fire and Rescue Services	21,501	1,426	22,927
15,305	15,937	31,242	Net Cost of Services	21,501	1,426	22,927
(15,973)	-	(15,973)	Other Income and Expenditure	(24,482)	6,697	(17,785)
(668)	15,937	15,269	(Surplus) or Deficit	(2,981)	8,123	5,142
(1,272)			Opening Revenue Reserves	(1,940)		
(1,940)			Closing Revenue Reserves at 31 March	(4,921)		

Note 7 outlines the breakdown of the Adjustments between Funding and Accounting Basis

2 Accounting standards that have been issued but not adopted

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The relevant standards being introduced for 2021/22 are:

- Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark reform: Amendments to IFRS9, IAS39, IFRS7
- Interest Rate Benchmark reform: Phase 2 Amendments to IFRS9, IAS39, IFRS4 and IFRS16

3 Taxation and Non-Specific Grant Income

12 Months to 31 March 2020	Council Tax and Non Domestic Rates Income	12 Months to 31 March 2021
£'000		£'000
(15,275)	Council Tax Fund	(15,571)
(8,424)	Non Domestic Rates Fund	(8,771)
(23,699)		(24,342)

4 Events after the Balance Sheet date

The statement of accounts was authorised for issue by the Chief Finance Officer in July 2021 and no post balance sheet event had been reported at this date

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

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

The items in the Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful economic life (UEL) of assets is reduced, depreciation will increase and the carrying value of assets will decrease. It is estimated that the annual depreciation charge for buildings would increase by £9.5k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions/judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and expected return on assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The carrying value of the Fire Staff pension liability as at 31 March 2021 is £328.8m The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within the Pensions Note 26
Council Tax (CT) and Business Rates (BR)	Two of the seven Local Authorities were unable to complete their returns due to Covid pressures on the authority and as such the result of the CT and BR outturn have been estimated.	The estimation technique is to assume the equivalent debtor, creditor or cash balance for the size of the Council compared to actual returns received. Therefore if this estimate is incorrect and for every further 25% that this estimate is incorrect the change would be +/- £15.1k. As a result Debtor's/ Creditor's and the CIES, MiR's could also be impacted, the maximum impact would be £3.4k.

Wilks Head and Eve Valuer assessment of the impact of Covid-19 on Asset Valuations

" The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.”

6 Material items of income and expenditure

There are no material items of income or expenditure arising in the year that require separate disclosure.

7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	
2019/20					
Adjustments to the Revenue Resources	£000	£000	£000	£000	£000
Amounts by which income and expenditure included in the CIES are different from Revenue for the year calculated in accordance with Statutory Requirements:					
Pension costs (transferred to (or from) the Pensions Reserve	(13,896)				13,896
Depreciation and Impairment Losses moved to Capital Adj Account	(1,924)				1,924
Accumulated Absence Charge for the period until 31st March 2020	(30)				30
Application of Capital Grants	(68)		68		-
Application of Collection Fund Income	(19)		-	-	19
Total Adjustment to Revenue Resources	(15,937)	0	68	0	15,869
2020/21					
Adjustments to the Revenue Resources	£000	£000	£000	£000	£000
Amounts by which income and expenditure included in the CIES are different from Revenue for the year calculated in accordance with Statutory Requirements:					
Pension costs (transferred to (or from) the Pensions Reserve	(6,378)				6,378
Depreciation and Impairment Losses moved to Capital Adj Account	(2,093)				2,093
Change in Accumulated Absence Charge	14				(14)
Capital Expenditure Funded by Revenue Funding (RCCO)	506	-	400	32	(938)
Capital Receipts Received in year	(242)	255		(13)	-
Loss on Disposal	(48)				48
Application of Collection Fund Income	(136)				136
Total Adjustment to Revenue Resources	(8,377)	255	400	19	7,703

8 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans.

	Opening Balance April 2020	Transfers to Reserve	Transfers from Reserve	Closing Balance March 2021
	£000	£000	£000	£000
Earmarked Reserves:				
Section 106 Contributions	523	-	(268)	255
Insurance reserve	250	-	-	250
Funding Reserve	-	500	-	500
Transformation Reserve	-	400	-	400
Capital & ESN	-	388	-	388
Equipment Reserve	-	30	-	30
Service Carry Forwards	-	99	-	99
Total General Fund and Earmarked Reserves	773	1,417	(268)	1,922

9 Property, plant and equipment

The movement in fixed assets during the year is shown in the table below

	Land and Buildings £'000	Assets Under Construction £'000	Vehicles, Plant and Equipment £'000	Total Assets £'000
Cost or Valuation				
At 31 March 2020	31,084	-	6,736	37,820
Additions/Enhancement	-	3,490	857	4,347
Revaluation Increases/(Decreases) to Revaluation Reserve	1,505	-	-	1,505
Depreciation eliminated on Revaluation	(506)	-	-	(506)
Revaluation Loss Reversal to Comprehensive Income and Expenditure Statement	(601)	-	-	(601)
Derecognitions	-	-	(136)	(136)
Reclassifications	-	-	-	-
At 31 March 2021	31,482	3,490	7,457	42,429
Depreciation/Impairment				
At 31 March 2020	-	-	(434)	(434)
Charge for the twelve months to 31st March 2021	(506)	-	(1,142)	(1,648)
Depreciation written out to the Revaluation Reserve	-	-	-	-
Depreciation written out to the CIES	506	-	-	506
Impairments	-	-	-	-
Derecognitions	-	-	136	136
Reclassifications	-	-	-	-
At 31 March 2021	-	-	(1,440)	(1,440)
Balance as at 31 March 2021	31,482	3,490	6,017	40,989
Balance as at 31 March 2020	31,084	-	6,302	37,386

The freehold and leasehold properties within the Authority's property portfolio are valued, under a five year programme, by the Authority's property advisors (Wilkes, Head and Eve) with impairment reviews made annually. A full valuation was undertaken as at 31 March 2021. All valuations were undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fire stations are valued at depreciated replacement cost and other properties are valued at existing use value.

10 Inventories

The values of stock items held are summarised in the table below:

31 March 2020		31 March 2021
£'000		£'000
227	Opening Balance	208
(19)	Year End Stock Take Adjustment	29
208	Closing Balance	237

11 Debtors

The analysis of Debtors is shown below:

31 March 2020		31 March 2021
£000		£000
242	Trade Debtors	446
3,033	Other Debtors	4,792
3,275	Total Debtors	5,238

The figures for the previous year have been restated to new categories following changes in the accounting code of practice. Trade Debtors consist primarily of payments in advance made to suppliers for goods and services. Other debtors include the Authority's share of Council Tax and Business Rates debtors due to be paid to Districts and Boroughs by taxpayers, payments due from central government for VAT and grants and from other local government organisations for a variety of arrangements.

12 Cash, cash equivalents and short term investments

31 March 2020		31 March 2021
£000		£000
6,688	Cash at Bank	2,808
6,688	Total Cash	2,808

31 March 2020		31 March 2021
£000		£000
-	Cash at Bank (95 Day Notice - Account)	3,000
-	Total Short Term Investments	3,000

13 Assets held for sale

The Authority has no assets held for sale at the 31st March 2021

14 Creditors

The analysis of Creditors is shown below:

31 March 2020		31 March 2021	
£000		£000	
(431)	Trade Creditors	(922)	
(6,137)	Other Creditors	(4,411)	
(6,568)	Total Creditors	(5,333)	

The figures for the previous year have been restated to new categories following changes in the accounting code of practice. Trade Creditors consist primarily of payments due to be made to suppliers. Other creditors include the Authority's share of Council Tax and Business Rates prepayments made to Districts and Boroughs by taxpayers, grants received in advance from central government (details in note 15), payments due to central government for income tax and national insurance and pension contributions due to be paid to the pension fund.

14.1 Provisions

Each District Council, based on their local data, calculates a provision for potential losses arising from ratepayers successfully appealing the level of their property's rateable value. A proportion of each provision (currently 1%) is allocated to the Authority and recognised in the accounts.

31 March 2020		31 March 2021	
£000		£000	
(412)	Provision for Business Rates Appeals	(399)	
(118)	Other Provisions	(103)	
(530)	Total	(502)	

15 Grant receipts in advance

The Authority has £540k (£680k -2019/20) grant receipts in advance, all of which is for revenue purposes.

31 March 2020		31 March 2021	
£000		£000	
(157)	Emergency Services Network Grant	(201)	
(461)	S.31 Business Rate Relief	-	
(62)	COVID-19 Grant	(230)	
-	Fire Protection Grant Building Risk	(60)	
-	Fire Protection	(49)	
(680)		(540)	

16.1 Long Term Borrowing

31 March 2020		31 March 2021	
£000		£000	
-	PWLB Loan	(3,300)	
-	Total Long Term Borrowing	(3,300)	

16.2 Other Long Term Liabilities

The Authority has other long term liabilities of £328.9m, which relate to its pension liabilities which are estimated to fall due over the longer term

31 March 2020	31 March 2021
£000	£000
(63) Start up Costs repayable to PFCC	-
(290,446) Pension Liabilities	(328,855)
(290,509) Total Long Term Liabilities	(328,855)

17 Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves statement. The nature and purpose of these reserves is set out below:

31 March 2020	31 March 2021
£000	£000
(1,167) General Fund	(3,000)
(523) Section 106 Receipts	(255)
(250) Insurance Fund External	(250)
- Funding Reserves	(500)
- Carry Forwards	(99)
- Transformation Reserve	(400)
- Capital & ESN	(388)
- Equipment Reserve	(30)
(1,940) General Fund + Earmarked Reserves	(4,922)
(952) Capital Grants Unapplied Account	(550)
(952) Capital Grants Unapplied Account	(550)
(19) Capital Receipts Reserve	-
(19) Capital Receipts Reserves	-
(2,911) Total Usable Reserves	(5,472)

17.1 General Fund

This is the accumulated surplus of income over expenditure after allowing for any General Fund Reserves. Its strategic use is to safeguard against budget risk and adverse impact on future funding levels.

17.2 Capital grants unapplied

These are grants received for a specific purpose but remaining unspent at the end of the year.

18 Unusable reserves

An analysis of the unusable reserves is shown below:

31 March 2020		31 March 2021	
£000		£000	
(151)	Revaluation Reserve	(1,656)	
(37,457)	Capital Adjustment Account	(36,255)	
290,446	Pensions Reserve	328,856	
105	Accumulated Absences Account	90	
19	Collection Fund Adjustment Accounts	155	
252,962	Total Unusable Reserves	291,190	

18.1 Revaluation reserve

The Revaluation Reserve contains the gains/losses made by the Authority arising in the value of its Property, Plant and Equipment.

31 March 2020		31 March 2021	
£000		£000	
(104)	Opening Balance	(151)	
(107)	Revaluation gains in the period	(1,656)	
60	Revaluation loss in the period	151	
(151)	Revaluation Reserve	(1,656)	

The Reserve contains only revaluation gains/losses accumulated since 1 January 2019, the date that the Reserve was created.

18.2 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, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

A breakdown of the CAA balance is set out below:-

31 March 2020		31 March 2021	
£000		£000	
(39,343)	Opening Balance	(37,457)	
(300)	Additions funded by revenue funding	(1,047)	
1,727	Depreciation	1,648	
235	Revaluation Losses	601	
224	Derecognition	-	
(37,457)	Capital Adjustment Reserves	(36,255)	

18.3 Pension reserve

The Pension 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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2020		31 March 2021	
£000		£000	
306,839	Opening Balance	290,446	
(16,393)	Actuarial (Gains)/Losses	38,410	
290,446	Pension Reserve	328,856	

18.4 Accumulated Absences Account

31 March 2020		31 March 2021	
£000		£000	
36	Opening Balance	105	
69	Provision for the period	(15)	
105	Accumulated Absences Account	90	

18.5 Collection Fund Adjustment Account

31 March 2020		31 March 2021	
£000		£000	
13	Council Tax Adjustment Account	88	
6	NNDR Adjustment Account	67	
19	Collection Fund Adjustment Accounts	155	

19. Officers' remuneration

The number of officers whose remuneration, excluding pension contributions, was **£50,000** or more during 2020/21 is listed below:

Number of Officers	Remuneration Band	Number of Officers
2019/20		2020/21
16	£50,000 - £54,999	19
14	£55,000 - £59,999	12
6	£60,000 - £64,999	3
-	£65,000 - £69,999	3
2	£70,000 - £74,999	3
3	£85,000 - £89,999	-
-	£95,000 - £99,999	2
1	£115,000 - £119,999	-
-	£120,000 - £124,999	1

19.1 Senior Officer Remuneration

Full year remuneration amounts for all senior officers are included in the table of remuneration by pay band in Note 19 (above).

The tables below detail the individual remuneration of senior employee's for 2020/21 and 2019/20 respectively.

2020/21 Post Holder Information	Start Date (with NCFRA)	Leaving Date	Salary £	Other £	Total Excl Pension £	Employer's Pension £
Chief Fire Officer - D Dovey *	01/01/2019		123,850	-	123,850	24,325
Assistant Chief Fire Officer (1)	01/01/2019		95,370	-	95,370	27,469
Assistant Chief Fire Officer (2)	01/01/2019		95,380	-	95,380	27,469
Area Manager (1)	01/01/2020		55,737	15,508	71,245	20,519
Area Manager (2)	01/01/2019	31/08/2020	25,988	7,594	33,582	12,526
Area Manager (3)	01/01/2019		56,427	16,117	72,544	20,718

* D Dovey retired on 30 September 2020 and was re-appointed in October 2020 in line with the Covid provisions. Employers Pension Contributions are to September 2020.

2019/20 Post Holder Information	Start Date (with NCFRA)	Leaving Date	Salary £	Other £	Total Excl Pension £	Employer's Pension £
Chief Fire Officer - D Dovey	01/01/2019		121,435	-	121,435	43,716
Assistant Chief Fire Officer (1)	01/01/2019		86,055	3,913	89,968	23,291
Assistant Chief Fire Officer (2)	01/01/2019		86,055	3,913	89,968	23,291
Area Manager (1)	01/01/2020		13,576	3,801	17,377	5,005
Area Manager (2)	01/01/2019		59,950	16,195	76,145	27,420
Area Manager (3)	01/01/2019		55,512	14,521	70,033	18,517
Head of Support Services	01/01/2019	19/07/2019	16,785	-	16,785	2,559

A number of the senior officers for the NCFRA are employed and remunerated by the OPFCC. These posts are detailed below and details of their remuneration are included within the OPFCC accounts.

Post Holder Information	Start Date (with NCFRA)
Police, Fire and Crime Commissioner	01/01/2019
Monitoring Officer	01/01/2019
Chief Finance Officer	01/01/2019

All of the above roles remain as at 31 March 2021.

For the 2020/21 financial year, the Authority made a contribution to OPFCC and this is referenced further within the related parties note.

20 External Audit costs

The Public Sector Audit Appointments (PSAA) have set a scale fee of £25K for external audit services carried out by the appointed auditor (EY) in 2020/21 (the scale fee of £25K was payable for 2019/20 and further cost requested remain under discussion with PSAA). The 2020/21 amount is also currently under discussion with EY.

21 Related parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires NCFRA to disclose material transactions and outstanding balances with related parties – bodies or individuals that have the potential to control or influence NCFRA or to be controlled or influenced by NCFRA.

Central Government has effective control over the general operations of both NCFRA and the OPFCC. It is responsible for providing the statutory framework within which NCFRA and the OPFCC operates, together with funding in the form of general or specific grants.

In January 2019, the Police Fire and Crime Commissioner (PFCC) took on Governance for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA). The Director of Delivery (and Monitoring Officer) and Chief Finance Officer of the OPFCC undertake these roles in NCFRA. All OPFCC Directors and OPFCC staff support the governance of NCFRA and this is reviewed annually. In 2020/21, the sum of £284K was charged to NCFRA for this support.

NCFRA and Northamptonshire Police work together on a number of collaboration activities or where one organisation provides services for another. A separate collaboration agreement is in place which sets out the governance arrangements for existing and future collaborative activities between OPFCC, the Chief Constable (CC) and NCFRA.

During the year, NCFRA made contributions to Northamptonshire Police to fund shared stores, communications and some Fleet costs. A number of Fire and Police support service teams were established for Finance, Estates and HR. During the year, Northamptonshire Police charged NCFRA the total of just over £321K for these arrangements.

NCFRA collaborate and deliver mutual aid arrangements to and from other Fire Authorities. They collaborate with Warwickshire for the control room and system.

The OPFCC maintains a register of business interests and key members of staff in the OPFCC and NCFRA Chief Officers and the JIAC members are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPFCC and NCFRA. With the exception of one JIAC member, all returns were received and reviewed by the S151 Officer.

The Director of Early Intervention and Monitoring Officer resigned as a Board member of Northamptonshire Emergency Cadets for NCFRA, Police and Ambulance during the year. Whilst NCFRA do not make a financial contribution to the Cadets they are an active participant in the arrangements.

In October 2020, the PFCC in his policing role established a Limited Liability Partnership, Mint to deliver procurement services to organisations and for the East Midlands Strategic Commercial Services Unit (EMSCU) collaboration to terminate. NCFRA contracted with EMSCU and now Mint for their procurement arrangements. The PFCC and the Director of Early Intervention and Monitoring Officer are two of the board members of the company.

NCFRA receive a range of support services from LGSS and NCC during the year. These equated to approximately £570K during 2020/21.

During the COVID-19 Pandemic, NCFRA have provided mutual aid arrangements to other public sector organisations as part of the local resilience forum for Northamptonshire. Some costs could be recharged and any additional costs were met from COVID-19 funding from the Home Office.

22 Capital expenditure and capital financing

The movement on the Capital Financing Requirement in the year was as follows:

31 March 2020		31 March 2021	
£000		£000	
	Opening Capital Financing Requirement		-
	-		
	Capital Investment:		
299	Property, Plant and Equipment	4,239	
299	Total Capital Spending	4,239	
	Sources of Finance:		
	- Capital Receipts	(31)	
	Sums set aside from revenue:		
(299)	Direct revenue contributions	(908)	
(299)	Total Sources of Finance	(939)	
	- Closing Capital Financing Requirement	3,300	

The year end position on the Capital Financing Requirement consists of the following:

31 March 2020		31 March 2021	
£000		£000	
	Capital Investment:		
37,385	Property, Plant and Equipment	40,988	
224	Inventories	224	
37,609	Total Capital Spending	41,212	
	Unusable Capital Reserves:		
(151)	Revaluation Reserve	(1,656)	
(37,458)	Capital Adjustment Account	(36,256)	
(37,609)	Total Unusable Capital Reserves	(37,912)	
	- Closing Capital Financing Requirement	3,300	

23 Operating Leases

The Authority has some property and vehicle leases which have been accounted for as operating leases.

Operating Leases

The future minimum payments due under operating lease in future years are:

31 March 2020		31 March 2021	
£'000		£'000	
25	Less than one year (payments)		18
66	One to five years		48
91	Total		66

The expenditure charged to service lines in the Comprehensive Income and Expenditure during the period in relation to these leases were:

31 March 2020		31 March 2021	
£'000		£'000	
41	Minimum lease payments		25

24 Commitments

Recognising that the longer term benefits of the transfer of Fire Governance will be available to both NCFRA and Northamptonshire Police, the PFCC determined that the costs would be shared equally between NCFRA and PFCC, payable over three years. As at 31 March 2021, there was one remaining payment, equating to £63K for payment in 2021/22.

NCFRA discloses all Capital Commitments over £20K and after a review of all approved contracts, the following capital commitments are in existence prior to 31st March 2021;

- £2,814k for the delivery of 8 Type B appliances across two contract with the delivery of the initial four appliances expected from December 2021;
- £256k for the delivery of Cyber Essentials (£21k), Microsoft Enterprise Configuration Manager MECM (£45k) and Officer 365 (£190k) as a package of commitments and the associated costs to bring the assets into their Useful Economic Lives, with works commencing in 2021.

25 Redundancy and early retirement costs – Exit packages

Redundancy and early retirement costs are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these payments.

These costs are recognised only when the Authority is demonstrably committed to terminate the employment on the affected employees.

In the 12 months between April 2020 and March 2021 the total cost for these exit packages was zero; reflecting that no early retirement or redundancy payments were made (The 12 months between April 2019 and March 2020 was also zero)

26 Pensions

26.1 Participation in pension schemes

On 1 April 2015 a new Firefighters' Pension Scheme was introduced, and the following notes include the data for the three schemes combined, 2015, 2006 and 1992. Employees' and employers' contributions into the Firefighters' Pension Fund are determined by the Secretary of State on the advice of the Government Actuary. Payments of pensions and other retirement benefits are made from the Pension Fund. Government grant is payable to cover any shortfall on the Pension Fund account.

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is a funded defined benefits scheme administered by Northamptonshire County Council. The Authority and employees pay contributions to the LGPS Pension Fund, calculated at a level intended to balance the pension liability with investment assets. The rate of contributions payable by employees range from 5.5% to 12.5% depending on the salary band of the employee. The Authority contributes at the rate prescribed by the Fund's actuary.

26.2 Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the funding needs of the Authority are based upon the cash payable in the year, so the real cost of retirement benefits is reversed out after Net Operating Expenditure. The following transactions have been made during the year:

	Local Government Pension Scheme March 2020 £000	Fire Fighters Pension Scheme March 2020 £000	Total March 2020 £000	Local Government Pension Scheme March 2021 £000	Fire Fighters Pension Scheme March 2021 £000	Total March 2021 £000
Income and Expenditure Account						
Cost of Services						
Current Service Cost	917	5,920	6,837	806	6,950	7,756
Past Service Cost (including Settlements and Curtailments)	(38)	1,080	1,042		90	90
Financing and Investment Income and Expenditure						
Net Interest Expense	94	7,430	7,524	75	6,450	6,525
Total defined benefit cost recognised in Income and Expenditure Account	973	14,430	15,403	881	13,490	14,371
Return on plan assets (excluding the amount included in the net interest expense)	(498)	-	(498)	(1,508)	-	(1,508)
Actuarial gains and losses arising on changes in demographic assumptions	391	-	391	161	-	161
Actuarial gains and losses arising on changes in financial assumptions	1,252	22,470	23,722	3,331	30,110	33,441
Other	(16)	6,690	6,674	(63)	-	(63)
Total remeasurements recognised in Other Comprehensive Income (OCI)	1,129	29,160	30,289	1,921	30,110	32,031
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(596)	(6,610)	(7,206)	(2,379)	(36,030)	(38,409)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contribution payable to scheme (LGPS)/Retirement Benefits payable to pensioners (FPS)	(377)	(7,820)	(8,197)	(423)	(7,570)	(7,993)

26.3 Assets and liabilities in relation to retirement benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement. The Authority participates in two defined benefit pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by Northamptonshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.
- the Firefighters’ Pension Scheme – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Local Government Pension Scheme contributions payable by employers are determined by the actuary to the Pension Fund based on triennial valuations, the most recent of which was at 31 March 2016. This determined the level of contributions payable during the year.

Reconciliation of asset and benefit obligation:

	Local Government Pension Scheme 31 March 2020 £000	Fire Fighters Pension Scheme 31 March 2020 £000	Total 31 March 2020 £000	Local Government Pension Scheme 31 March 2021 £000	Fire Fighters Pension Scheme 31 March 2021 £000	Total 31 March 2021 £000
Opening Defined Benefit Obligation	9,543	303,200	312,743	9,010	287,340	296,350
Current Service Cost	917	5,920	6,837	806	6,950	7,756
Past Service Cost	(38)		(38)			
Interest Cost	239	7,430	7,669	217	6,450	6,667
Contribution by Scheme Participants	(145)	1,140	995	156	1,250	1,406
Actuarial Gains and Losses:						
Arising from changes in demographic assumptions	(391)	-	(391)	161	-	161
Arising from changes in financial assumptions	(1,252)	(22,470)	(23,722)	3,331	30,110	33,441
Return on assets	498	-	498	-	-	-
Other	16	-	16	(63)	-	(63)
Curtailments, Settlements and past Service Costs	-	(60)	(60)	-	90	90
Benefits paid	(377)	(7,820)	(8,197)	(71)	(8,820)	(8,891)
Closing Defined Benefit Obligation	9,010	287,340	296,350	13,547	323,370	336,917

Reconciliation of opening and closing balances of the fair value of scheme assets:

	LGPS Pension Scheme 31 March 2020 £000	LGPS Pension Scheme 31 March 2021 £000
Opening Fair Value of Employer Assets	5,837	5,904
Return on Plan Assets, excluding the amount included in the net interest costs	(498)	1,508
Interest income on Plan assets	145	142
Benefits Paid	(97)	(71)
Contributions from Employer	377	423
Contributions by scheme participants	140	156
Closing Fair Value of Employer Assets	5,904	8,062

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 as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

26.4 Scheme history

	Local Government Pension Scheme March 2020 £000	Fire Fighters Pension Scheme March 2020 £000	Total March 2020 £000	Local Government Pension Scheme March 2021 £000	Fire Fighters Pension Scheme March 2021 £000	Total March 2021 £000
Present value of the defined benefit obligation	(9,010)	(287,340)	(296,350)	(13,547)	(323,370)	(336,917)
Fair value of plan assets	5,904	-	5,904	8,062	-	8,062
Net Liability arising from defined benefit obligation	(3,106)	(287,340)	(290,446)	(5,485)	(323,370)	(328,855)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £328.9m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary; and
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local government Pension Scheme by the Authority in the year to 31 March 2021 is £0.3m. Expected contributions for the Fire pension Scheme in the year to 31 March 2020 are £1.14m.

26.5 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The annual Fire Authority budget will make allowance for the firefighter's pension scheme payments based on an estimate of when such payments fall due. The Authority's budget is set taking the employer's pension contribution into account and government grant is received to cover any shortfall in the account.

The Government Actuaries Department (GAD), has assessed both the Firefighters' scheme and the Local Government Pension Scheme liabilities. The main assumptions used in their calculations are as follows:

Local Government Pension Scheme March 2020 %	Fire Fighters Pension Scheme March 2020 %		Local Government Pension Scheme March 2021 %	Fire Fighters Pension Scheme March 2021 %
1.8	2.00	Rate of inflation	2.8	2.40
2.3	4.00	Rate of increase in salaries	3.3	4.15
1.8	2.00	Rate of increase in pensions	2.8	2.40
2.3	2.25	Rate for discounting scheme liabilities	2.05	2.40
50	N/A	Take up of option to convert annual pre April 2008 service Pension into retirement grant	50	N/A
75	N/A	Take up of option to convert annual post April 2008 service pension into retirement grant	75	N/A

Local Government Pension Scheme March 2020	Fire Fighters Pension Scheme March 2020		Local Government Pension Scheme March 2021	Fire Fighters Pension Scheme March 2021
		65 year old current pensioner		
21.5	21.3	Male	21.7	21.4
23.7	21.3	Female	24.1	21.4
		45 year old future pensioner at age 65		
22.3	23.0	Male	22.8	23.1
25.1	23.0	Female	25.8	23.1

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension scheme	Fire Fighters Pension Scheme	Impact on Defined Benefit Obligation Increase/Decrease in assumption	Local Government Pension scheme	Fire Fighters Pension Scheme
			March 2021	March 2021
3%-5%	3.0%	Longevity (increase in 1 year)	3%-5%	4.0%
2.0%	1.5%	Rate of increase in salaries (increase by 0.5%)	2.0%	0.5%
10.0%	7.5%	Rate of increase in pensions (increase 0.5%)	10.0%	7.5%
12.0%	9.0%	Rate for discounting Scheme liabilities (decrease by 0.5%)	12.0%	8.0%

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

31 March 2020 £000		31 March 2021 £000
90	Cash and Cash Equivalents	127
	Equity Securities	
147	Consumer	0
64	Manufacturing	0
40	Energy and Utilities	0
58	Financial Institutions	0
40	Health and Care	0
44	Information Technology	0
	Debt Securities Bonds	
637	Government	818
	Property	
444	UK	467
31	Overseas	60
	Private Equity	
129	All	240
	Investment Funds and Trust Units	
3,389	Equities	5,095
436	Bonds	748
355	Commodities	-
	Infrastructure	505
5,904	Total Assets	8,060

26.6 Pensions Reserve

	Local Government Pension Scheme 31 March 2020 £000	Fire Fighters Pension Scheme 31 March 2020 £000	Total 31 March 2020 £000	Local Government Pension Scheme 31 March 2021 £000	Fire Fighters Pension Scheme 31 March 2021 £000	Total 31 March 2021 £000
Opening Balance	3,639	303,200	306,839	3,106	287,340	290,446
Current service cost	917	5,920	6,837	806	6,950	7,756
Interest cost	94	7,430	7,524	75	6,450	6,525
Changes in assumptions	(1,627)	(22,470)	(24,097)	1,921	30,110	32,031
Past service cost, including curtailments	(38)	(60)	(98)	-	90	90
Contributions by employer/employee	(377)	1,140	763	(423)	1,250	827
Benefits Paid	-	(7,820)	(7,820)	-	(8,820)	(8,820)
Return on assets less interest	498	-	498	-	-	-
Closing Balance	3,106	287,340	290,446	5,485	323,370	328,855

FIREFIGHTERS' PENSION FUND ACCOUNT
FOR THE YEAR ENDED 31 March 2021

2019-20 £000		2020-21 £000
	Income To The Fund	
	<u>Income to the Fund</u>	
	Contributions Receivable	
	From Employer	
(2,557)	Normal Contributions	(2,861)
(1,096)	From Members	(1,242)
-	Transfers in	
-	Individual transfers in from other schemes	(90)
	<u>Expenditure by the Fund</u>	
	Benefits Payable	
6,836	Pensions including ill health	7,211
1,894	Commutations and lump sum retirement benefits	2,196
-	Payments to and on account of leavers	
-	Individual transfers out to other schemes	4
5,077	Net amount payable for the year	5,218
(5,077)	Top up grant receivable from Central Government	(5,218)
-	Net Fund position for year	-

FIREFIGHTERS' PENSION FUND ACCOUNT
Balance Sheet
As at 31 March 2021

31 March 2020		31 March 2021
£000	Net Current Assets and Liabilities	Note £000
1,326	Top Up grant receivable from Central Government	10 873
176	Amount payable to Central Government	-
(1,502)	Amount Owing to Northamptonshire Fire & Rescue	(873)
-	Total	-

NOTES TO FIREFIGHTERS' PENSION FUND ACCOUNT

Notes to the Firefighters Pension Fund Statement

1. This statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain.
2. Three pension schemes operate within the Fund, the 1992 scheme, the 2006 scheme, and the 2015 scheme
3. The Fund is administered and managed according to the statutory requirements set out in the 1992, 2006, and 2015 scheme legislation.
4. The Firefighters Pension Schemes are unfunded and as such have no investment assets. They are funded through employee and employer contributions and Government grant.
5. All firefighter pension related benefits are charged to the Firefighters Pension Fund Account with the exception of costs relating to non-member retirement on ill health grounds and all costs relating to injury pensions, which are charged to the Fire Service Operating Account (revenue).
6. The Fund Account captures income and liabilities relevant to the period shown and therefore does not take account of liabilities to pay pensions and other benefits after the period end.
7. Normal Employer contributions are made as follows:
 - 1992 scheme 37.3% of pensionable pay.
 - 2006 scheme 27.4% of pensionable pay
 - 2015 scheme 28.8% of pensionable pay
8. For any retirement on ill health grounds the Fire Service is required to make a payment to the Pension Fund from its revenue account. This is payable over 3 years. There were 0 retirements of scheme members on ill health grounds
9. Members contributions, for both the 1992 scheme and also the 2006 scheme, changed to having banded contributions in 2013-14. The bandings are as follows:

FPS Pensionable pay band	Rates from 01/04/2014 (%)	
	1992 Scheme	2006 Scheme
Up to and including £15,609	11.0	8.5
More than £15,609 and up to and including £21,852	12.2	9.4
More than £21,852 and up to and including £31,218	14.2	10.4
More than £31,218 and up to and including £41,624	14.7	10.9
More than £41,624 and up to and including £52,030	15.2	11.2
More than £52,060 and up to and including £62,436	15.5	11.3
More than £62,436 and up to and including £104,060	16.0	11.7
More than £104,060 and up to and including £124,872	16.5	12.1
More than £124,872	17.0	12.5

2015 scheme members

Pensionable Pay	FPS 2015
Up to £27,818	11.0
£27,819 to £51,515	12.9
£51,516 to £142,500	13.5
£142,501 or more	14.5

10. These accounts have been prepared on an accruals basis.

GOVERNANCE STATEMENT

The Police and Crime Act 2017 enabled Police and Crime Commissioners to become responsible for the governance of fire and rescue authorities, subject to the approval of a business case by the Home Secretary. The aim of this legislation was to ‘enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners.’

Following consideration of the Northamptonshire Business Case by the Home Secretary, the Police and Crime Commissioner for Northamptonshire, Stephen Mold, became the first Police, Fire and Crime Commissioner for Northamptonshire (PFCC) on 1 January 2019.

Under these governance arrangements, a new corporation sole, Northamptonshire Commissioner Fire and Rescue Authority (NCFRA), was created on 1 January 2019. The Police, Fire and Crime Commissioner also acts as NCFRA.

The PFCC outlined the three year plan to build financial stability within the organisation which includes ensuring the establishment of effective internal controls. The 2020/21 governance statement is the second full year governance statement for NCFRA as 2018/19 related to a three month period.

The CIPFA/SOLACE Framework of Good Governance

In 2007, CIPFA developed with the Society of Local Authority Chief Executives (Solace) a framework – “*Delivering good governance in local government*”. This was subsequently reviewed in 2015 and an updated edition was published in April 2016.

Governance as defined in the 2016 framework is:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered.”

Good governance is not only about rules, policies and procedures but should also incorporate a spirit of good governance as an integral part of the culture of the organisation, its values and the expected behaviours.

Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

This framework recognises that no two organisations are the same and as such allows an organisation to test its governance structures against a set of principles which are:

- **Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:
- **Principle B:** Ensuring openness and comprehensive stakeholder engagement.
- **Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental outcomes.
- **Principle D:** Determining the interventions necessary to optimise the achievement of intended outcomes.
- **Principle E:** Developing Capacity and Capability.
- **Principle F:** Managing Risks and Performance
- **Principle G:** Implementing good practices in transparency, reporting and accountability.

This statement explains how the Police, Fire and Crime Commissioner (PFCC) has complied with the CIPFA/SOLACE framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

Northamptonshire Police, Fire and Crime Commissioner (PFCC) is responsible for ensuring that his business is conducted in accordance with the law and proper standards of conduct, probity and professional competence, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. He also has a duty to arrange to secure continuous improvement in the way in which his functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The PFCC has approved and adopted a Corporate Governance Framework which is consistent with the CIPFA/SOLACE framework. This statement explains how the PFCC has complied with the code and meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over the 12 month period 1 April 2020 to 31 March 2021, and will be updated where required as at the date of signing of the accounts.

The purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which NCFRA is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Authority (the PFCC) to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money 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 ongoing process designed to identify and prioritise the risks to the achievement of the PFCC'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

The Police, Reform and Social Responsibility Act 2011 brought in the responsibility for local authorities to create a Police and Crime panel. This panel is made up of local elected councillors and independent members with the responsibility to scrutinise and support the work of the Police and Crime Commissioner.

The Policing and Crime Act 2017 amended Section 28 (Powers of Police and Crime Panels) of the Police Reform and Social Responsibility Act 2011 to include the responsibilities of the new Fire and Rescue Authority.

The functions of the panel are set out in legislation and the Panel must also review or scrutinise decisions made, or other actions taken by the PFCC in connection with the discharge of their functions in relation to Policing and Fire and Rescue.

The PFCC's Governance Arrangements

To ensure the effective administration of NCFRA, key meetings are as follows:

- The PFCC holds a monthly Accountability Board with the Chief Fire Officer, supported by statutory officers and senior fire and PFCC officers. Minutes are available on the PFCC website.
- The PFCC meets regularly with the Chief Fire Officer and specific meetings are held between the Chief Fire Officer and key officers from the OPFCC.
- The terms of reference of the Joint Independent Audit Committee (JIAC) includes NCFRA. Four meetings of the Committee took place in 2020/21 (all virtual meetings) and specific workshops were also held. The Committee provides independent assurance to the PFCC and individual reports are produced for NCFRA. This enables the internal controls and assurances for each corporation sole to be independently considered.
- An Enabling Services Board provides a structured approach to managing and monitoring collaboration opportunities between Fire and Policing.

- A joint Assistant Chief Officer leads the Enabling Services Programme and provides strategic leadership of Support services across Fire and Policing.
- A collaboration agreement is in place in line with the Home Office Financial Management Code of Practice.
- Fire and Rescue Service have a number of meetings established at strategic and operational levels. Where appropriate, members of the OPFCC attend these meetings and provide scrutiny, challenge and briefings.

In the full year to 31 March 2021, the PFCC has also sought to ensure that appropriate management and reporting arrangements are in place to enable him to be satisfied that the approach to corporate governance was both adequate and effective in practice.

The system of internal control is based on a system of financial, contractual, management and administrative controls and is reviewed by both internal and external audit.

Compliance with the seven principles set out in the CIPFA/SOLACE Framework

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:

The Corporate Governance Framework provides guidance on expected behaviours to ensure integrity and builds on the clear statements made by the PFCC and the Chief Fire Officer.

For the financial year 2020/21, related party disclosures have been undertaken for all key staff in the OPFCC, JIAC members, and the Chief Fire Officer and Senior Officers. At the time of the draft accounts, the disclosure of one JIAC member remains outstanding and this information, together with any disclosures, is included within the Statement of Accounts.

The statutory roles of Monitoring Officer and Chief Finance Officer to NCFRA are held by the post holders in the OPFCC which provides consistency and continuity.

The policies for Fire transferred across to NCFRA under the Governance arrangements. Some have been reviewed to date and regular reviews are now undertaken.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

The Authority's purpose is set out in statute. The vision for Northamptonshire is set out in the Fire and Rescue Plan which was consulted on during 2018/19 alongside the Integrated Risk Management Plan (IRMP). Both documents were published in April 2019. Following the PFCC elections in May 2021, the next Fire and Rescue Plan (or a combined Police, Fire and Crime Plan) will be produced by the end of 2021/22, together with an updated IRMP.

The OPFCC website is used to publish a wide range of policy and information, making this easily accessible to the public. The website includes key NCFRA governance information and the role of the PFCC in Fire Governance is set out.

All agendas, public papers and meetings of the JIAC are open to the public and papers are available on the PFCC website, together with the minutes of the Accountability Board.

Papers, reports and decisions made by the PFCC are published on the website, together with consultations and details of future public events. Alongside consultation on the Police precept, the PFCC again undertook public consultation to inform his decision in setting the Northamptonshire Fire precept for 2020/21. This consultation included wider public engagement on Fire and the report is available on the OPFCC website.

During 2020/21 the Chief Fire Officer and PFCC took forward the development in both resource and capacity of the Communications and Engagement Team and established a joint OPFCC/Fire team to deliver this.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental outcomes.

For the 2020/21 budget and precepts, the Fire and Rescue Plan was used to direct the resources of NCFRA through the Revenue and Capital budgets.

The 2020/21 budget, precept and Medium Term Financial Plan (MTFP), alongside the Reserves, Capital and Treasury Management Strategies set out plans to achieve financial stability within three years as NCFRA transferred on 1 January 2019 without reserves or liabilities. Although good progress to build reserves was made ahead of plans, the financial impact on funding streams of the COVID-19 pandemic from late 2019/20 has resulted in lower funding receipts forecast than previously anticipated over the life of the Medium Term Financial Plan.

NCFRA made representation to the Fire Minister and the Home Office in respect of both the level of reserves and the ongoing base funding position. As a result, in March 2021, the Home Office provided the sum of £2m to support reserves and the Medium Term Financial Plan. This enabled general reserves to be increased to £3m as at 31 March 2021 (11.9%). However, as £1m will be used to support the revenue budget in 2021/22, this will reduce to 7.8%, which is a sufficient level to mitigate any unforeseen risks. The general reserves also provide some scope to support the Medium Term Financial Plan, whilst still maintaining a financial buffer.

The Chief Fire Officer was fully involved in the preparation of the 2020/21 budgets and a number of targeted meetings developed the detail of the budget and the capital programme, which are aligned to the priorities set out in the IRMP and Fire and Rescue Plan.

Whilst volatility had reduced across a wide number of budgets during 2020/21, volatility remained in some non-pay areas and these will be targeted further during 2021/22. When taken together with the internal audit assessments of limited compliance with policies and procedures, accounts payable and scheme of delegation, this identified the need to build general reserves to a higher level to seek to mitigate this risk. Furthermore, the impact of COVID-19 on the MTFP further evidenced the need to ensure reserves are sufficient to support any short term fluctuations in funding levels. As such, the 2021/22 revenue budget and Reserves Strategy increased the maintenance level of general reserves from 4% to 5%.

Although impacted by COVID-19, significant work continued on the retained and wholetime firefighter budgets, developing detailed monitoring across salaries, overtime and temporary staffing used as “bank” arrangements. Alongside this, more detailed overtime monitoring continued and an Establishment Board closely managed and oversaw staffing resources to deliver across the HMICFRS Improvement areas.

Following earlier Internal Audit reviews, and alongside the recruitment of Joint Heads of Support Services (described as Enabling Services) Department for Fire and Policing, demonstrable progress has been made during the year to ensure that the impact of all contracts is known, that contracts and procurement are undertaken in a timely manner and that effective spending plans are in place for each of the budget areas.

Whilst progress has been made across many budget headings, there is still a need to improve budget knowledge and understanding for some managers. This includes planning effectively to reduce the volatility of variances. Minimising the volatility will provide confidence in the baseline budget and enable informed decisions to be made on the use of resources during the year.

Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes.

An updated Capital programme was approved in principle by the PFCC in February 2021; however, as set out in the 2021/22 budget and precept, the level of investment and impact on the MTFP was neither affordable nor deliverable, so the PFCC requested further reviews of the programme and considered these in April and June 2021. The June 2021 programme was approved, however, the PFCC is cognisant of the financial impact on the revenue budget and MTFP and will continue to seek all opportunities for additional funding to mitigate these costs.

The NCFRA Capital Programme has continued to develop since the governance change in January 2019 and has been further informed and developed with the knowledge of the Joint Heads of Department and a Joint Assistant Chief Officer for Enabling Services. The Chief Fire Officer’s view is that this now includes the essential operational requirements, together with some essential and transformative requirements for the service. A new joint garage workshop has been purchased by NCFRA which avoids costs from condition surveys, enables the sale of the previous HQ and workshops, utilises Home Office grants, meets operational and safety requirements, enables the Joint Fleet team to be taken forward and provides an opportunity to generate additional income.

The capital programme is supported by key asset strategies and these reflect the PFCC's desired direction of travel for interoperability between Fire and Policing, building capacity or reducing costs to be reinvested in operational services.

A more structured approach is in place and being taken forward for business cases and investment requests and during the past eighteen months, proposals have been approved for joint teams with the Police of: Finance, Estates, Fleet, HR and Digital. Whilst some proposals require additional investment, others provide efficiencies and all include increased resilience and capacity for both Fire and Police.

Her Majesty's Inspector of Constabulary and Fire and Rescue Services undertook an inspection of Northamptonshire Fire and Rescue Service prior to the governance transfer and a number of recommendations were received. An improvement Plan was developed and monitored regularly through the Fire Executive Group and scrutiny and challenge applied by the PFCC at the Accountability Board and the Police, Fire and Crime Panel. The JIAC received regular updates on progress throughout the year. A follow up visit by HMICFRS during 2020 identified that the causes of concern had been addressed and the next HMICFRS Inspection is anticipated in Autumn 2021.

Throughout 2020/21, NCFRA continued to play a key role in Northamptonshire's partnership response to the COVID-19 pandemic. The responsibilities and requirements have been wide ranging and weekly Gold senior management team meetings have been established attended by all key NCFRA staff, together with Deputy Chief Finance Officer and OPFCC representation to lead and direct NCFRA activities. Financial controls and monitoring were put in place to ensure that related expenditure is captured appropriately and the PFCC monitored and discussed arrangements with the Chief Fire Officer regularly. Independent reviews were undertaken by both HMICFRS and Internal Audit during the year and whilst some minor recommendations were made, no concerns were raised.

Principle E: Developing Capacity and Capability.

Following the recruitment of 20 firefighters in February 2020, vacancies were filled and service strength increased up to budgeted establishment. Additionally, bank staff had been used to provide capacity to meet the additional resource requirements associated with increasing appliance availability identified in the HMICFRS recommendations. In 2021, an additional 12 posts were recruited, funded by reduced bank staffing costs.

In recruiting to these posts, together with increasing on-call firefighters, this has supported the wellbeing of the workforce whilst increasing capacity and resilience for the public of Northamptonshire. This is demonstrated by appliance availability achieving 100% above minimum standards and now averages 19 appliances. Prior to the governance transfer availability was regularly below minimum standards and appliances available averaged 14.

Furthermore, average response times in Northamptonshire have improved by almost one and a half minutes to 10 minutes 10 seconds following the governance transfer.

Whilst significant strides have been made in managing staffing resources, development of a workforce strategy is required to ensure that future staffing resources are targeted towards meeting future service needs and requirements over the longer term.

A number of support service responsibilities transferred to NCFRA as part of the Governance transfer, but without sufficient knowledge and resources to undertake the additional requirements. Principle D set out that work on the Enabling Services Programme is well progressed and a number of joint teams have already been implemented.

NCFRA has training capacity, skills and knowledge based at Chelveston and there are options to review these to maximise the benefit from these resources of NCFRA. A joint Fire/Police business development/commercial manager has been appointed for two years and, alongside driving improvements in procurement, they will develop a commercial strategy and consider all opportunities available to both services.

The Assistant Chief Fire Officers continued in role during the year, as did the Joint Assistant Chief Officer for Enabling Services, the Chief Finance Officer and the Monitoring Officer. During the year, the Chief Fire Officer announced his intention to retire. Given the current pandemic position this intention was of significant concern to the PFCC and in line with the specific conditions included in paragraph 22 of schedule 36 to the Finance Act 2004, in respect of the coronavirus period, he proposed to re-appoint the Chief Fire officer on a fixed term contract for two years. The Chief Fire Officer agreed to this. A Police, Fire and Crime Panel confirmation hearing was held and the Chief Fire Officer

reappointed in Autumn 2020. No additional financial costs were incurred. This provided stability in both statutory roles and leadership and a knowledgeable Executive Senior Management Team giving provides consistent and strong leadership to move the organisation forward.

The statutory roles of Monitoring Officer and Chief Finance Officer are undertaken by the same advisers to the PFCC for policing. This enables consistent advice to be provided across Fire and Policing.

Principle F: Managing Risks and Performance

NCFRA have a developed Risk Management system and the same system is being used following the governance transfer. The NCFRA risk register was considered at the October 2020 JIAC and an OPFCC Director attends the Fire Risk Management and Fire Executive Group (FEG) review meetings where risks are considered, as well as attending the Fire and Rescue Service quarterly strategic risk review meetings. During 2020/21 Internal Audit continued to deliver risk management support and expertise.

An operational performance framework is in place that aligns to the outcomes in the Fire and Rescue Ian and IRMP. This is a standing agenda item quarterly on the accountability board agenda, with monthly monitoring by Chief Fire Officer at Fire Executive Group.

The agreed Internal Audit Plan for 2020/21, which was informed by statutory officers during the year, covered the significant areas of risk and internal control. Delivery of internal audits for 2020/21 was affected by Covid-19 pressures on the Internal Audit team, and consequently scheduling was towards the latter half of the year. Regular updates were provided to the JIAC.

Local Government Shared Services (LGSS), was replaced by Northamptonshire County Council and, from April 2021, the new unitary councils. These provide system, financial and some support services (with the exception of management accounting, procurement, estates and legal services) to NCFRA. Some services were brought in house or to the new Joint teams during the year as part of the planned direction of travel.

During the year the Chief Finance Officer highlighted concerns with some reconciliations provided under these contractual arrangements and internal audit work was specifically targeted at these areas. This audit supported those concerns in the areas of Treasury Management, VAT and Payroll and Pensions reconciliations. A number of recommendations were identified, concerns were addressed with the contract providers and improvements implemented. As part of the strategy for joint support for Police and Fire, Treasury and VAT responsibilities will move in-house to the Joint Police/Fire Finance Team from July 2021.

The internal audits, together with the assessment of statutory officers, reviewed the previously identified risks in the financial monitoring of budget holders and compliance with policies and procedures, the scheme of delegation, accounts payable and procurement. All of these areas were identified as priorities to address and following significant engagement with the service and joint finance team, demonstrable improvements had been made by the majority of Fire budget managers by the time of the final audits in 2020/21. The provisional outturn report highlighted these improvements and outlined the further targeted work which is required with a small number of budget managers during 2021/22 to further embed this. At the request of the statutory officers, targeted audits were requested in the areas of asset management and stock control. A number of recommendations were identified which are being progressed by the Joint Head of Fleet.

No new JIAC members were appointed during 2020/21, and the PFCC offered extensions to the Chair and another JIAC member to continue post November 2020, providing much needed experience, continuity and consistency during these unprecedented times. JIAC members were offered and some attended CIPFA, EY (the external auditors), Public Sector Audit Appointments (PSAA) or other events. Additionally EY and other circulars are shared with JIAC members and senior officers on a regular basis.

Principle G: Implementing good practices in transparency, reporting and accountability.

External governance is managed through a system of assurance that includes attendance at meetings by OPFCC staff to fully understand activities and associated risks. There is a monthly robust, formal Accountability Board meeting regularly between the PFCC and Chief Fire Officer and this is supported by regular informal meetings.

The PFCC provides regular updates to the Police, Fire and Crime Panel as well as to elected Members, officials and members of the local community and has recently instigated a regular newsletter to Northamptonshire Members of Parliament.

The OPFCC website has been awarded the independent CoPacc transparency award in the last two years and the draft 2019/20 NCFRA statement of accounts were placed on the OPFCC website by the 31 August 2020. As with 2018/29, it was a major concern that, due to considerations outside of NCFRA's and the PFCC's control, the audit was not concluded until 31 March 2021. Furthermore, it is of concern that the external auditors have highlighted that delays are also anticipated for the 2020/21 accounts process. The Chief Finance Officer will continue to work closely with the auditor to ensure statement of accounts work is scheduled and concluded as soon as possible for 2020/21 to ensure that public transparency and accountability is delivered for the public of Northamptonshire in a timely and effective manner. Any delays have and will continue to be reported on the PFCC website in line with the legislative requirements.

Internal Audit and Internal Audit Review of Effectiveness

The PFCC has the responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the JIAC, internal and external auditors, HMICFRS, statutory officers and senior managers within the Authority who have responsibility for the development and maintenance of the governance environment.

The 2020/21 Internal Audit Plan was approved by the PFCC and the JIAC in March 2020 and whilst the impact of Covid-19 has led to delays in finalising audits in the last quarter of 2020/21, at the date of the Annual Governance Statement (AGS) most reports had been finalised. The results of these audits were discussed with Fire Senior Officer and OPFCC statutory officers and an update considered by the PFCC at the May 2021 Accountability Board. The JIAC received updates in June, October and December 2020 and March 2021. The audit programme was as follows:

AUDIT TITLE	Previous Assurance Rating		20/21 Mid Year Assurance Rating		20/21 Assurance Rating	
	System	Compliance	System	Compliance	System	Compliance
Grenfell Action Plan	NEW In 20/21 – Statutory Officers Requested Assurance In These Areas		One Audit Assessment		Good	Good
Asset Management					Satisfactory	Limited
Covid 19 – Spend Analysis					Good	Satisfactory
Covid 19 – Contracts Payments					Good	Satisfactory
Financial Controls Environment (key recommendations: bank/Treasury/Journals)					Satisfactory	Limited
Procurement & Stock Control					Satisfactory	Limited
Key Policies	Good	Satisfactory	One Audit Assessment		Good	Good
ICT Systems	Limited	Limited	One Audit Assessment		Satisfactory	Satisfactory
Target operating Model Performance Monitoring	Good	Good	One Audit Assessment		Good	Good
Corporate Governance	Good	Satisfactory	One Audit Assessment		Good	Good
MTFP/Budgetary controls	Good	Good	One Audit Assessment		Good	Good
Accounting systems (AP/AR)	Good*	Limited*	Good (AP) Satisfactory (AR)	Limited (AP) Satisfactory (AR)	Good	Good
Payroll	Good*	Limited*	Good	Limited	Still In progress	

Internal Audits undertaken are given two assurance ratings:

- System: How the control environment is assessed and documented, and
- Compliance: How well the system and environment is working in practice.

There are five assurance ratings as follows: Substantial, Good, Satisfactory, Limited and No Assurance.

Following concerns identified in the 2020/21 audit reports, the PFCC and Chief Fire Officer were immediately alerted to the lack of compliance in these areas by the S151 and Monitoring Officer and a number of actions were immediately taken forward by these officers as detailed within the 2019/20 AGS.

Mid-year audits took place in the areas of Accounts Payable (AP), Accounts Receivable (AR) and Payroll and by the year end progress had been achieved in these areas. The service and the Joint Finance team will continue to embed this progress. They will be supported by a two year post which will assist in embedding internal controls across both Fire and Policing and seek to ensure a smooth transition to new enabling services and system arrangements.

The PFCC, the S151 Officer and the Chief Fire Officer will continue to monitor these areas closely and will identify areas where further assurance is required and act accordingly.

The Chief Internal Auditor has produced his draft annual report for NCFRA for 2020/21, as follows:

Audit Opinion – 2020/21

I can confirm that sufficient assurance work has been completed to allow me to form a conclusion on the adequacy and effectiveness of Northamptonshire Commissioner Fire and Rescue Authority's internal control environment. Based on audit work undertaken during the year, in my opinion, NCFRA's framework of governance, risk management and management control is Satisfactory

Audit testing has demonstrated that controls were working in practice across key areas but a number of findings, some of which are significant, have been raised

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

Duncan Wilkinson FCMA CGMA
Chief Internal Auditor

Furthermore, within the report, the Chief Internal Auditor has advised:

“The Satisfactory opinion for 2020/21 should be viewed positively. It demonstrates the direction of travel towards improvements in the control environment and should be viewed as an achievement during the unprecedented pressures during the pandemic. It remains imperative however that there is focus and priority on those areas identified as needing to improve, in order to move the opinion to Good in 2021/22.”

The JIAC will consider the report of the Chief Internal Auditor at their meeting in July 2021.

CIPFA Financial Management Code

The CIPFA Financial Management Code translates the principles of good financial management into a series of financial standards that comprise: leadership and accountability, governance and financial management, medium term financial planning to inform and ensure financial resilience, and monitoring financial performance to address emerging issues through to financial reporting. Taken together these financial management standards underpin the effective governance of the use and control of resources utilised by NCFRA in pursuance of its stated objectives. 2020/21 was a “shadow” year for the implementation of the FM Code. NCFRA's arrangements in 2020/21 are considered to be compliant with the standards set out in the code. A review of compliance will be undertaken and scheduled at the JIAC and reviewed by the PFCC during the year and included where required in the 2021/22 Statement of Accounts.

Review of Effectiveness

The Internal Audit Plan was in place in 2020/21 and despite a slower start due to the pandemic, good momentum was achieved, the results of which have identified a number of areas requiring focus. The PFCC is fully apprised of these through statutory officer updates and the Accountability Board. The Police, Fire and Crime Panel have also been regularly updated on progress.

There were four JIAC meetings during the year, and a workshop in September on the draft 2019/20 Statement of Accounts. The four meetings include as standard: Internal and External Audit updates, progress of Internal Audit recommendations, and a review of the JIAC annual plan. Additional areas considered were as follows:

JIAC Meeting	Areas Covered
July 2020	<ul style="list-style-type: none">• Annual Report of the JIAC and Terms of Reference Review• Update on LGSS and Future Arrangements• Internal Audit Annual Report
October 2020	<ul style="list-style-type: none">• Budget and MTFP Processes, Plan and Timetable• 2019/20 Treasury Management Outturn and 2020/21 Progress• Draft Statement of Accounts 2019/20 and proposed fee levels update• HMICFRS Update• LGSS and Future Systems Update• Risk Register Review
December 2020	<ul style="list-style-type: none">• Update on Corruption and Fraud and Control processes• Draft Statement of Accounts Update• Update on LGSS and MFSS• HMIC Recommendations Update on Progress
March 2021	<ul style="list-style-type: none">• Draft Statement of Accounts Update and Draft ISA260• Internal Audit Plan 2021/22• Update on Business Continuity and Disaster Recovery• Treasury Management Strategy• Update on LGSS

Significant Governance Issues

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals. Whilst the financial progress in 2020/21 and the 2021/22 financial settlement has enabled a balanced budget to be achieved and for reserves to be sufficient, COVID-19 has impacted on the funding streams and there remains an inherent challenge to the base funding position for NCFRA . Future savings are required to balance the budget in the medium term and a savings plan has been prepared which goes some way towards this. Fire now have a financial buffer to assist with financial resilience, to manage any unforeseen issues or to invest in and optimise opportunities, however, whilst this will balance the budget over the medium term, it is not sufficient to balance the MTFP over the next five years.

Fixed Asset Strategies, Reserves, Treasury Management Strategies and a Capital Programme are in place, and the Capital Programme is regularly reviewed to ensure deliverability and affordability. Representation will continue to be made for funding to mitigate this impact. It remains essential that opportunities to build resilience and capacity and maximise efficiencies continue to be taken forward with Policing. The internal control framework is developing and it is important that this momentum is maintained.

Progress on the 2019/20 Recommendations

Good progress has been made on the 2019/20 recommendations identified in the governance statement as follows:

Progress on 2020/21 Internal Control Actions		
Principle B: Ensuring openness and comprehensive stakeholder engagement.	Recommendation 1: Develop and implement additional capacity, resource and resilience for communications and engagement.	Completed – a joint OPFCC/Fire Communications and Engagement Team has been established.
Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes.	Recommendation 2: To continue to progress the HMICFRS Improvement Plan and monitor updates regularly through the Accountability Board.	Ongoing and carried forward to 2021/22 – regular updates are provided to FEG, the PFCC and JIAC. The next inspection is scheduled for Autumn 2021.
Principle E: Developing Capacity and Capability.	Recommendation 3: Further develop the work of the Establishment Board including the development of a Workforce Strategy.	Ongoing and carried forward to 2021/22 – an establishment Board has been created which considers this area and an establishment policy has been approved. The Joint HR team has been established and this work will continue and a Workforce Strategy will be developed.
	Recommendation 4: To continue to inform, develop and implement proposals for Enabling Services together with Policing.	Ongoing and Carried forward to 2021/22 – Joint teams have been approved for: Finance, estates, ICT, HR and fleet. Some have been implemented and the remaining ones will be during 2021/22.
	Recommendation 5: To assess the feasibility of and where appropriate, develop a commercial strategy in conjunction with Policing.	Ongoing and carried forward to 2021/22 – a joint post is in place and a commercial strategy is being developed. This work will continue in 2021/22.
Principle F: Managing Risks and Performance.	Recommendation 6: To ensure the findings and recommendations of the Internal Audit of ICT Controls are implemented and that relevant policies and plans are updated, in place and tested.	Completed/Incorporated Into Business As Usual – some progress has been made and this recommendation is now superseded by the new Digital arrangements which will be implemented during 2021/22. A separate recommendation will monitor those arrangements.
	Recommendation 7: To undertake further training and monitoring of Financial Policies and Procurement with budget holders and senior managers in NCFRA to ensure that internal controls and policies are understood and complied with.	Incorporated into one recommendation in Principle G for 2021/22 – whilst the year end audit does recognise improvements – some areas remain where further training and monitoring is required to ensure compliance but also to minimise budget volatility. This will remain a priority in 2021/22.
Principle G: Implementing good practices in transparency, reporting and accountability.	Recommendation 8: To work closely with Budget managers and the service to understand that the impact of proposals and decisions made can be fully understood to ensure that reliance can be placed on information provided and that unexpected volatility on the budget headings is minimised.	Ongoing and carried forward to 2021/22 – whilst there has been improvements in many areas, targeted work will take place with Fleet, Training and Premises during 2021/22 to minimise volatility and improve compliance with policies and procedures.

Recommendations for 2020/21

Following the assessment of internal controls, the following areas have been recommended to embed and improve internal controls for 2020/21:

2021/22 Internal Control Action Plan	
Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes.	Recommendation 1: To continue to progress the HMICFRS Improvement Plan and monitor updates regularly through the Accountability Board.
Principle E: Developing Capacity and Capability.	Recommendation 2: Implementation of the Joint HR team including the development of a Workforce Strategy.
	Recommendation 3: To implement the Joint teams for: Digital and Fleet in line with agreed timescales and to achieve agreed outcomes.
	Recommendation 4: To develop a commercial strategy in conjunction with Policing.
Principle F: Managing Risks and Performance.	Recommendation 5: To undertake further training as required and to work closely with all budget managers and within targeted areas of Fleet, Training and Property to ensure that internal controls are followed and embedded and to ensure reliance on information provided and that unexpected volatility on the budget headings is minimised.
	Recommendation 6: To continue to maximise all funding opportunities for NCFRA, ensuring the MTFP reflects the position, that savings plans are prepared and reviewed and lobbying to continue to seek a fairer funding settlement for NCFRA.
Principle G: Implementing good practices in transparency, reporting and accountability.	Recommendation 7: To take forward the recommendations of the Asset Management and Stock control internal audits.
	Recommendation 8: To review and where appropriate, simplify the Corporate Governance Framework.

CONCLUSION

The PFCC has highlighted the actions identified within this statement to take steps to address the above matters and further enhance the NCFRA governance arrangements and will monitor their implementation and operation during the year and as part of the next annual review.



Signed: Stephen Mold Police Fire and Crime Commissioner

Date: 25 February 2022



**Helen King,
Chief Finance Officer & S151 Officer, Northamptonshire Commissioner Fire and Rescue Authority**

Date: 25 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COMMISSIONER FIRE & RESCUE AUTHORITY

Opinion

We have audited the financial statements of Northamptonshire Commissioner Fire & Rescue Authority for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Statement of Accounting Policies,
- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 26, and
- The firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Northamptonshire Commissioner Fire & Rescue Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 the Comptroller and Auditor General's (C&AG) AGN01, 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

In auditing the financial statements, we have concluded that the Chief Finance Officer and S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer and S151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the statements of account set out on pages 3 to 14, other than the financial statements and our auditor's report thereon. The Chief Finance Officer and S151 Officer is responsible for the other information contained within the statements of account.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. 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.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer and S151 officer

As explained more fully in the Statement of the Chief Finance Officer and S151 Officer Responsibilities set out on page 15, the Chief Finance Officer & S151 officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine 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 Chief Finance Officer and S151 Officer 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 the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure 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 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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:
 - The Police, Fire and Crime Commissioner for Northamptonshire (Fire and Rescue Authority) Order 2018,
 - Local Government Act 1972,
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - The Local Government Finance Act 2012,
 - The Local Audit and Accountability Act 2014, and
 - The Accounts and Audit Regulations 2015.

In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how Northamptonshire Commissioner Fire & Rescue Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance, monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified management override of controls to be our fraud risk.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Northamptonshire Commissioner Fire & Rescue Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Northamptonshire Commissioner Fire & Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Northamptonshire Commissioner Fire & Rescue Authority had put in place proper arrangements to secure 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 satisfy ourselves 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

This report is made solely to the members of Northamptonshire Commissioner Fire & Rescue Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

NEIL. A. HARRIS
ERNST & YOUNG LLP

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
25 February 2022

GLOSSARY OF TERMS

1 Accounting period

The length of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

2 Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

3 Actuarial gains and losses

For defined benefit schemes, the changes in actuarial deficits or surpluses arise because: events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

4 Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed: A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community building, or intangible, e.g. computer software licences.

5 Audit of accounts

An external audit is an independent examination of the financial records prepared by an organisation. The main objective of an external audit is to verify that the accounting records for a company provide a true and accurate picture of the organisation's finances and that statements are prepared in accordance to the set laws and accounting standards. External audits also add value by identifying areas where efficiency in the business can be improved and where controls and processes may be made more effective.

6 Balance sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

7 Budget

The forecast of net revenue and capital expenditure over the accounting period.

8 Capital expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

9 Capital financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

10 Capital programme

The capital schemes the Authority intends to carry out over a specific period of time.

11 Capital receipt

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

12 CIPFA

The Chartered Institute of Public Finance and Accountancy.

13 Collection fund

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

14 Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

15 Contingent asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

16 Contingent liability

A contingent liability is either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

17 Creditor

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

18 Current service cost (pensions)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

19 Debtor

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

20 Deferred charges

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

21 Defined benefit pension scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

22 Depreciation

The measure of the cost of wearing out, consumption, or other reduction, in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

23 Discretionary benefits (pensions)

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

24 Equity

The Authority's value of total assets less total liabilities.

25 Events after the balance sheet date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

26 Exceptional items

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

27 Expected return on pension assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

28 Extraordinary items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

29 Fair value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

30 Government grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

31 Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

32 Income and expenditure account

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

33 Interest cost (pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

34 Investments (pension fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

35 Liability

A liability is where the Authority owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

36 Liquid resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount; or traded in an active market.

37 Long term contract

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

38 Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

39 Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

40 Net book value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or fair value less the cumulative amounts provided for depreciation.

41 Net debt

The Authority's borrowings less cash and liquid resources.

42 Non-domestic rates (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy.

43 Non-operational assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

44 Operating lease

A lease where the ownership of the fixed asset remains with the lessor.

45 Operational assets

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

46 Past service cost (pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

47 Pension scheme liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

48 Precept

The levy made by precepting authorities to billing authorities, requiring the latter to collect income from Council Tax on their behalf.

49 Prior year adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

50 Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

51 Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

52 Rateable value

The annual assumed rental of a hereditament, which is used for NDR purposes.

53 Related parties

There is a detailed definition of related parties in IAS 24. For the Authority's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

54 Related party transactions

The Code requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

55 Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

56 Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

57 Residual value

The net realisable value of an asset at the end of its useful life.

58 Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

59 Revenue expenditure

The day-to-day expenses of providing services.

60 Revenue support grant

A grant paid by Central Government to authorities, contributing towards the general costs of their services.

61 Stocks

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

62 Temporary borrowing

Money borrowed for a period of less than one year.

63 Useful economic life (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset