

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 30 November 2021 in Washington Hall, Service Training Centre, Euxton commencing at 10.00 am.

If you have any queries regarding the agenda papers or require any further information, please initially contact Diane Brooks on telephone number Preston (01772) 866720 and she will be pleased to assist.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

This meeting will be held in line with Covid-19 restrictions.

Combined Fire Authority members will attend in person.

Members of the press and public can attend in person (subject to national Covid-19 restrictions) or view the meeting via a live webcast on YouTube.

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 6)

4. EXTERNAL AUDITORS ANNUAL REPORT 2020/21 (Pages 7 - 36)

5. INTERNAL AUDIT MONITORING REPORT (Pages 37 - 46)

6. APPOINTMENT OF EXTERNAL AUDITORS (Pages 47 - 70)

7. RISK MANAGEMENT (Pages 71 - 96)

8. STRATEGIC ASSESSMENT OF RISK (Pages 97 - 102)

9. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 29 March 2022 in Washington Hall, Service Training Centre, Euxton.

Further meetings are: scheduled for 26 July 2022 and 27 September 2022
 proposed for 29 November 2022

10. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

11. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

PART 2

12. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

Agenda Item 3

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 28 September 2021, at 10.00 am in the Washington Hall, Service Training Centre, Euxton.

MINUTES

PRESENT:

Councillors

J Shedwick (Chairman)
N Hennessy (Vice-Chair)
S Clarke
M Dad
A Kay
J Singleton

Officers

K Mattinson, Director of Corporate Services (LFRS)
J Baines, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
L Barr, Member Services Officer (LFRS)

In attendance

A Ayre, External Audit, Grant Thornton
A Smith, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

14-20/21 ANNOUNCEMENT

The reports were not available to the public within the necessary strict statutory timeframe governed by the Local Government Act 1972, section 100B(4) as amended by the Local Government (Access to Information) Act 1985, however as the Authority's accounts needed to be signed off quickly and efficiently the Chairman had agreed the items should be considered at the meeting given the public had notice of the agenda and were at liberty to attend for comment.

15-20/21 APOLOGIES FOR ABSENCE

An apology was received from Councillor Fred Jackson.

16-20/21 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

17-20/21 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 20 July 2021 be confirmed as a correct record and signed by the Chairman.

18-20/21 REVISIONS TO STATEMENT OF ACCOUNTS

The Director of Corporate Services presented the report.

The draft Statement of Accounts for the financial year ended 31 March 2021 presented to Resources Committee and Audit Committee in July confirmed that: i) the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2021; ii) this would be subject to review by the Authority's external auditors, Grant Thornton; iii) that a further report would be presented to the Audit Committee in September, following completion of the external audit; and iv) at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer. In light of this the Committee noted and endorsed the report and accounts. Subsequent to that the full set of accounts was submitted for audit to Grant Thornton.

The Statement of Accounts had been updated to reflect the following changes identified during the audit (as reported in the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts was considered by Members.

Adjusted Misstatements

There were no adjusted misstatements impacting the key statements.

Misclassifications and disclosure changes

A number of misclassifications and disclosure changes which had been adjusted in the accounts were noted as follows: -

- Accounting policies – in the draft financial statements i) the accounting policy for provisions was very brief; ii) there was no accounting policy for joint control; and iii) there was an accounting policy for non-current assets held for sale, even though the Authority did not have any – auditor recommendations were: - i) to include more detail in the accounting policy for provisions; ii) include a policy for how joint control was accounted for; and iii) to remove the policy for non-current assets held for sale.
- Assumptions made about the future and other major sources of estimation and uncertainty – disclosure was made that Local Government Pension Scheme property related assets were subject to material valuation uncertainty at the LCPF which was not the case – auditor recommendation was therefore to remove this disclosure.
- Critical judgements – i) additional reliefs S31 grant 2020/21 were disclosed as a critical judgement. These did not appear to be critical judgements and should be disclosed elsewhere; and ii) disclosure of the judgements around the Authority's assessment that North West Fire Control Limited was a joint

operation and that group accounts were not required were not included in the note, but would be useful for users of the accounts to understand these judgements - auditor recommendations were: i) remove the going concern as a critical judgement disclosure; and ii) consider whether business rates additional reliefs s31 grant 2020/21 would be better disclosed as an estimation uncertainty if there was a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and iii) include a discloser of judgements around the accounting for North West Fire Control Limited.

- Narrative report – in the draft financial statements, the narrative report said the reserves policy had a minimum level of £3.2m. According to the reserves polity this was actually £3.5m – auditor recommendation was to update the disclosure of the minimum level of reserves in line with the policy.
- Private Finance Initiative – the wrong retail price index figure was used in the model for the calculation for the future payments of services for the Balfour Beatty Fire and Rescue NW Limited scheme. The assumed 2.5% should have been replaced by 4.489% which led to a total difference of £78k over the payables within 1-20 years – auditor recommendation was to update the disclosure based on the correct retail price index figure used in the PFI model.
- Financial Instruments – in note 8 of the draft financial statements i) current investment of 2019/20 was wrongly disclosed as £15,000k instead of £5,000k; ii) £3,387k of Other trade receivables was erroneously excluded from financial instruments; and iii) trade payable of 2019/20 was wrongly disclosed as £6,086k instead of £4,255k – auditor recommendation was to update the disclosure for the issues noted.

As all changes requested by Grant Thornton had been made to the accounts the Treasurer to the Fire Authority and the Chair of the Audit Committee were therefore required to approve the revised accounts by signing off the Statement of Responsibilities and the Balance Sheet.

As the audit was not completed it was agreed that if there were any further changes required to the accounts, authority was delegated to the Audit Committee Chairman and the Treasurer to consider and agree any amendments to the Statement of Accounts on behalf of the Committee.

In response to a question raised by County Councillor Singleton regarding the classification of 'other income' referred to on page 19 of the agenda pack, the Director of Corporate Services confirmed that the vast majority of it came from colleges for the Service to deliver the Prince's Trust programme.

In response to a further question raised by County Councillor Singleton regarding long-term borrowing, the Director of Corporate Services advised that the Authority had 3 long-term loans which valued £2.0m. These were taken out in 2007/08 and ran to 2035/36. All were with the Public Works Loan Board and all were fixed term. He advised that the Resources Committee discussed the loans and considered any potential for debt restructure.

RESOLVED: - That the Committee re-approved the revised Statement of

Accounts and authorised the Audit Committee Chairman and Treasurer to consider and agree any further amendments to the Statement of Accounts.

19-20/21 EXTERNAL AUDIT - LETTER OF REPRESENTATION

As part of the year-end process the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been.

The Treasurer confirmed he would sign the letter, as there were no issues which he felt required disclosure.

RESOLVED: - That the Audit Committee authorised the signing of the letter by the Chair of the Committee.

20-20/21 EXTERNAL AUDIT - AUDIT FINDINGS REPORT

Mr Smith, Key Audit Partner attended the meeting remotely to answer any questions. He introduced the report and confirmed that many areas of the audit had been completed which included processing samples of debtors, creditors, income and expenditure which had been identified as an outstanding matter on page 97 of the agenda pack. Other items outstanding included completing work on journals, PPE valuations and pension valuations, a response from Lancashire County Pension Fund auditor to a request for assurance over IAS 19 was awaited and clearance of issues from the audit quality review process. Mr Smith advised that it was more difficult to deliver the audits remotely but there was a lot of hard work being done to meet the deadline of Thursday, 30 September 2021. Mr Smith then introduced Mr Ayre, Audit Manager to present the report.

Under the statutory Code of Audit Practice for Local Government bodies the Authority's external auditors, Grant Thornton were required to issue a report to those charged with governance summarising the conclusions from their audit work.

Mr Ayre advised that at the time of writing the report the audit work was substantially complete and there were no matters of which they were aware that would require modification of the audit opinion or material change to the financial statements, subject to outstanding matters, as mentioned previously.

There was one recommendation relating to self-authorisation of journals as set out on page 20 of the report (page 114 of the agenda pack): -

"Our risk assessment of journal controls noted that there are no automated controls on the finance system to prevent members of finance staff approving their own journals. Whilst our audit work on journals so far has not identified any significant issues as a result of this weakness in internal controls, we recommend that the authority establishes an authorisation control to reduce the risk of financial reporting fraud and/or error in future."

The response to this was “We have considered the recommendation. We believe our financial monitoring processes are sufficient to identify if such an instance occurred. Neither ourselves, nor internal and external audit, have discovered any instances of error or reporting fraud that the implementation of this would have prevented. Hence, given the size of our finance team (3.5 FTE including the Head of Finance), we don’t feel that introducing further controls is practical or proportionate to the risk.”

There were no adjusted misstatements impacting the key statements. There were several minor disclosure omissions in the draft accounts which had all been rectified.

The Director of Corporate Services advised that the deadline to publish the audit findings report was Thursday that week. If this was not possible it would be necessary to publish an explanation as to why there was a delay and then publish the report when able. He advised that it was expected there would be many authorities unable to publish on time. Mr Smith advised that incomplete audits was a current issue across the public sector with less than 25% audits signed off. This was due to the challenges set out in the Redmond Review and the recruitment of qualified and experienced auditors. He apologised for the delay and advised that they were making every effort to meet as many deadlines as possible.

In response to a question from County Councillor Singleton, the Director of Corporate Services advised that the £15m that the Government had put aside for councils following the Redmond Review had yet to be allocated. The Chairman requested a report to a future meeting on the allocation of the £15m.

In response to questions from the Chairman, Mr Smith advised that a response from Lancashire County Pension Fund auditor was expected before the deadline however, time would be needed to consider it. In relation to the valuation of buildings, he advised that this should be cleared in good time before the deadline. He confirmed the audit would not be completed before Thursday and was subject to no major issues arising.

In response to a question raised by County Councillor Clarke, the Director of Corporate Services advised that the information was awaited from the Lancashire Pension Fund, which was for support staff not firefighter pensions.

The Chairman and Vice-Chairman were concerned that all the information was not available for the meeting. The Vice-Chairman stated that the audit fee was £38.9k which was a lot of money to pay for something that was not available on time. The Chairman advised that the provision of external auditing services would be re-tendered and re-considered in the near future.

RESOLVED: - That the Committee: -

- i) Noted and endorsed the matters raised in the report;
- ii) Noted the anticipated “unmodified” audit opinion on the financial statements;
- iii) Noted that the auditors had not yet completed all of their value for money

work and so were not in a position to issue a report on that;
iv) It was agreed that in the event the External Auditors found anything significant from the matters outstanding the Chairman and Vice-Chairman of the Committee would consider and note relevant action or determine whether to convene an urgent meeting.

21-20/21 DATE OF NEXT MEETING

The next meeting of the Committee would be held on 30 November 2021 at 10:00 hours in Washington Hall, Service Training Centre, Euxton.

Further meeting dates were noted for 29 March 2022 and agreed for 26 July 2022 and 27 September 2022.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 30 November 2021

EXTERNAL AUDIT – AUDITORS ANNUAL REPORT 2020/21 (Appendix 1 refers)

Contact for further information – Keith Mattinson – Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

Executive Summary

The External Auditor's Annual Report provides an overall assessment of the Authority's performance.

This covers the opinion on both the financial statements (which has previously been reported) and on value for money arrangements.

The final report, submitted by Grant Thornton, is attached as appendix 1.

Recommendation(s)

The Committee is asked to note and endorse the content of the report as presented.

Information

The Auditor's Annual Report confirms the final opinion on the financial statements and the outcome of the review of the Authority's value for money arrangements for securing economy, efficiency and effectiveness in its use of resources.

Audit of Financial Statements

The report re-affirms the draft opinion on the accounts previously reported to the Committee 'We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 September 2021'.

Review of Value for Money Arrangements

The review of value for money arrangement covers three areas:-

- Financial sustainability;
- Governance;
- Improving economy, efficiency and effectiveness.s

The auditor's review did not identify any significant weaknesses in arrangements across any of these areas, but has made 4 improvement recommendations as set out pages 10, 14, 15 and 16 of the report:-

- Recommendation - The Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund reserves below the minimum level.
Management Comment - Agreed, this has been in abeyance awaiting a multi-year settlement, hence this will form part of future years budgets/medium term financial strategy;
- Recommendation - Within the Corporate Risk Register we recommend that each risk is mapped to the relevant corporate objective.
Management Comment – We do not believe this will assist as many of the risks span across more than one objective;
- Recommendation - The Authority should remove discharged risks from the Corporate Risk register.
Management Comment – We do not accept this recommendation; the inclusion of discharged risks demonstrates which risks have previously been considered by the Authority. The reporting of risks makes it clear that these have previously been discharged, and does not impact on Members focusing on ‘live’ risks;
- Recommendation - Review the adequacy of procedures around members declaring interests. Also, implement a regular completeness check to identify any gaps in declarations. For example, this may include a search of Companies house records to compare directorships held to those recorded on the register of interests
Management Comment - We will conduct a review about adequacy of procedures around the declaration of Members' interests, including consideration of what, if any, verification process is required.

Given this is the first review under the new arrangements I believe this is a positive outcome and demonstrates the strong position the Authority is currently in

Business Risk

The Annual Auditor’s Report is a public document, which gives an independent assessment of the Authority’s performance. As such any failure to meet adequate levels of performance may undermine public confidence, exposing the Authority to a wide range of risks, and leading to potential interventions.

Environmental Impact

None

Equality and Diversity Implications

None

HR Implications

None

Financial Implications

The final audit fee was £38.9k, which is consistent with the fee agreed as part of the Audit Plan. This is £15.2k higher than the scale fee identified by Public Sector Audit Appointments, reflecting the increased work associated with changes to auditing standards, as previously reported. The increase in fees is broadly consistent with similar audited bodies.

The Government has provided an additional £15m of funding to compensate authorities for increased audit fees, arising from changes to auditing standards etc, our share of this is £12.2k.

As such net audit fees are £26.7k.

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

Table 2 Details of any background papers

Paper:	Audit Findings Report
Date:	September 2021
Contact:	Keith Mattinson
Reason for inclusion in Part 2 if appropriate:	

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Auditor's Annual Report

Lancashire Fire and Rescue Service

For the year ending 2020-21

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2 November 2021



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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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Service or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in Fire Authority's arrangements identified during the audit.

Auditors are required to report their commentary on the Fire Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Fire Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are summarised in the table below.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation has been made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations have been made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified



Financial sustainability

We did not identify any risks of significant weaknesses in the Fire Authority's financial sustainability arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made one improvement recommendation. Our findings are set out in further detail on pages 6 to 10.



Governance

We did not identify any risks of significant weaknesses in the Fire Authority's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made three improvement recommendations. Our findings are set out in further detail on pages 11 to 16.



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Fire Authority's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made no improvement recommendations. Our findings are set out in further detail on pages 17 to 18.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 September 2021, following the Audit Committee meeting on 27 September 2021. Our findings are set out in further detail on page 20.

Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendation.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue any applications to the Court.

Advisory notice

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
 - is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
 - is about to enter an item of account, the entry of which is unlawful.
-

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not issue any judicial reviews.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All fire authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Fire authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 19. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Addressing financial pressures

The Authority has identified the main significant financial pressures facing it as funding, staff costs and unexpected new requirements. These pressures are less demand driven than councils.

Funding

The Local Government Financial Settlement for 2020-21 confirmed funding as £24.2m, an increase of £0.05m (0.2%) on the previous year, and set the council tax increase referendum limit at 2%. Assuming a council tax increase 1.99%, of the maximum permissible without a referendum, the Authority was left with a small funding gap of £0.3m, which it planned to close through the delivery of savings or drawing down the General Fund reserve to deliver a balanced budget.

In the medium term, the Authority's Medium Term Financial Strategy (MTFS) assumes a 1.5% increase each year in line with inflation, and council tax base increase of 1.3% with the rate increase dependent on the gap to be closed.

We agree that funding, in the form of grants from central government and council tax are a significant pressure on the finances of the Authority, and the lack of recent longer term financial settlements from central government create uncertainty in financial planning.

Staff costs

Staff costs accounted for 70% of the 2020-21 expenditure budget, so are clearly the largest element of expenditure. The 2021-22 budget and MTFS forecasts a 2% increase each of the next five years, except for an assumed pay freeze in

2021-22. In 2020-21, a 2% pay-rise was given to operational staff (grey book), and 2.75% to non-operational staff (green book). The staff costs assumptions also build in expected growth based on the expected number of apprentice firefighters planned to be recruited each year. This is a reasonable assumption as staff costs can be managed in year through the managing vacancies.

Unexpected new requirements

By their very nature, unexpected new requirements are unexpected, so can't be built into the annual budget. However, solid financial planning can mitigate the risk of any such requirements impacting on the Authority's financial resilience.

The Authority has various approaches to mitigate these risks. There are arrangements in place to keep the Authority's financial plans under review and make change in the year. The Authority's Financial Regulations and budget holder instructions for devolved financial management include policies for virement, such as the accrual for the pensionability of certain allowances in 2020-21, which is a recent example of an unexpected new requirement.

In the 2021-22 budget and MTFS, inflation is forecast to be 2.5% over the next five years. Over the last five years, inflation has averaged out at around 1.8%, and the Bank of England inflation target remains 2.0%, so this is a reasonable assumption, and based on recent history has built some contingency into the budget to allow for virements to cover increased expenditure in other areas.

Cashflow is forecast annually and actively managed by Lancashire County Council Treasury team on behalf of the

Authority. Liquidity is not a major risk for the Authority as it holds a large amount of cash and cash equivalents (£22.6m at 31 March 2021).

The fact the MTFS is refreshed each year and presented alongside the annual budget for the forthcoming year demonstrates that financial risks are not just being addressed in the short term.

Budget process

The annual budget process starts in September / October with discussions with all budget holders. The starting point is the previous year's budget, with incremental changes made to reflect increased costs and changes of priority resulting from the Integrated Risk Management Plan (IRMP) and other reviews, such as an Emergency Cover Review (ECR). The expenditure estimates are compared to the available funding as this becomes clearer following the Local Government Financial Settlement in November to identify the initial budget gap to allow challenge and the identification of saving plans. The draft budget is presented to and challenged by the Executive Board in November / December. Any subsequent changes to funding levels resulting from updates to the Local Government Financial Settlement and council tax base estimates are approved by the Combined Fire Authority in February each year in line with national deadlines.

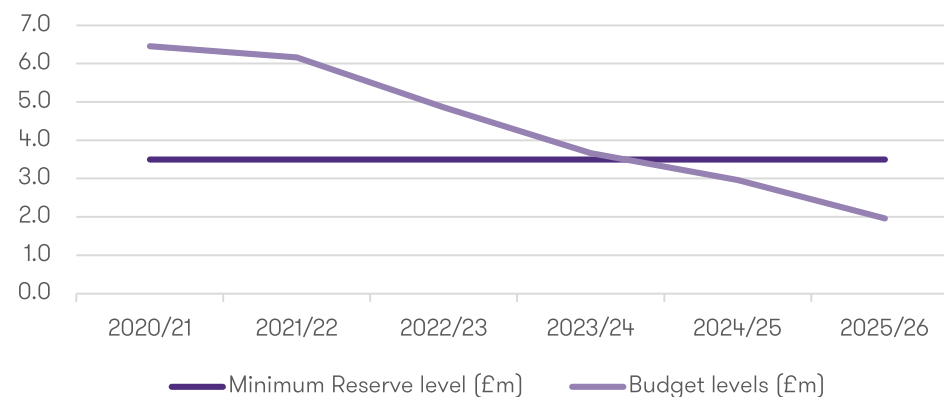
The process allows for sufficient input from stakeholders and challenge from executives and the Combined Fire Authority.

The annual budget includes the Treasurer's Section 25 report which is a requirement of Local Government Act 2003. It reports on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

Funding gaps and savings

The funding gap, and savings requirement for the Authority has been relatively low in recent years. Saving schemes are approved through the budget setting process with discussions with the budget holders. Longer term savings schemes are developed through Emergency Cover Reviews (ECR) which are carried out every three to five years, with the next one due in 2022. Monitoring of the savings schemes takes place as part of the quarterly budget monitoring reports which are taken to the Resources Committee. In the 2020-21 budget, the identified savings totalled £0.8m, leaving a funding gap of £0.4m. In 2021-22, savings of

£0.2m were identified, leaving a funding gap of £0.3m. In the final four years of the most recent MTFS, these gaps are forecast to be £4.2m in total. The funding gaps left in the budgets are budgeted to be closed through savings or the use of General Fund reserves. The authority had £6.4m of general fund reserves as at 31 March 2021, which the MTFS shows are sufficient to cover the budget gaps, though this will bring the General Fund reserve to below the minimum General reserve balance of £3.5m.



Whilst the Reserves and Balances Policy does acknowledge that the use of reserves to fund recurrent expenditure can only be a short-term solution, with recurrent savings being the sustainable approach, we have made an improvement recommendation on the risk of the depletion of General Fund reserves.

The Authority does have a good track record of delivering savings and achieving their budgets each year. Historically, the Authority has delivered more than £20m of efficiency savings from April 2011. In 2020/21, the Authority reported an underspend of £0.4k, which includes the initial gap of £0.4m plus another £0.3k identified during the year. In total, the Authority delivered £1.3m of savings against the annual target of £0.8m. Most of this came from staffing including post reductions and managing vacancies through the year.

Sustainable delivery of services

The Authority's statutory community safety-orientated duties that fire authorities have is set out in the Fire and Rescue Services Act 2004. There is little to no discretionary services carried out by the Authority outside of these core functions.

The budget is set in line with the Authority's objective to deliver affordable, value for money services. The Authority's Budget Strategy is one of: -

- Delivering services as outlined in the Risk Management Plan and other plans;
- Continuing to invest in improvements in service delivery;
- Continuing to invest in improving facilities;
- Continuing to deliver efficiencies;
- Setting a robust budget;
- Maintaining an adequate level of reserves;
- Maintaining future council tax increases at reasonable levels;

In the most recent MTFs, there were no significant changes in the level of cover planned. Any significant changes in the future will be the result of an Emergency Cover Review which takes a close look at the emergency cover the authority provide in terms of where its fire engines are situated and the way they are staffed. An Emergency Cover Review involves a detailed study of activity levels, which informs the authority's risk-based approach to providing the most appropriate response to emergencies in Lancashire.

We have not identified any evidence of deficiencies in the arrangements the Authority has in place to deliver services sustainably in line with its corporate strategy.

Consistency with other plans

Due to the significance of staff expenditure in the overall budget, it is important the Authority's workforce plan is aligned to its financial plans. The workforce plan is primarily driven by the retirement profile of the staff which informs the budget planning process. Assumptions around staff costs, including pay inflation, shift patterns, recruitment of apprentice firefighters, requirement for additional capacity in support functions, and vacancy factors are central to the considerations of the annual budget. We have not identified any instances of the budget not being consistent with the workforce plan.

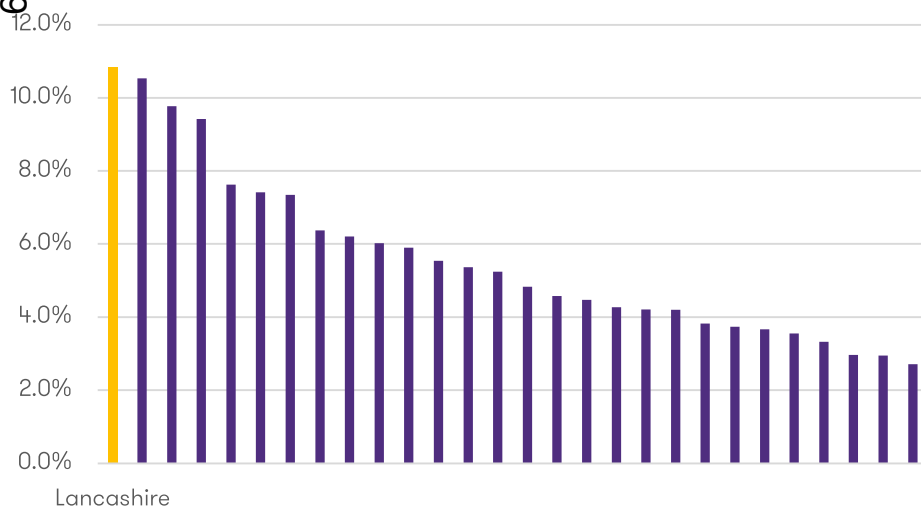
The other significant plan is the Fleet Asset Management Plan which is mostly focussed on the management and replacement of existing assets. The plan factors in whole life costs of replacing assets, rather than just the upfront purchase cost. The Fleet Asset Management Plan is built into the capital budget and strategy alongside plans for larger projects, such as the service headquarters relocation, Fleet workshop and trainer facilities, and the rebuilding of fire stations. The main risk facing the Authority's capital plan is slippage, rather than overspend. In 2020-21, there was only £10k of overspend against the capital budget, with estimated slippage of £9.2m to the 2021-22 budget.



Managing financial resilience

Risks are built into the budget through the building up of the General Fund reserve and provisions. The General Fund Reserve is to cover uncertainties in future years' budgets such as lower than expected grant settlements, higher than expected inflation, increasing pensions costs, changes in service demand, changes in legislation and potential cost of industrial action. Provisions are built up, and recognised as expenses in the accounts in the year they occur for specific future estimated liabilities. The Authority has two significant provisions. The first is for costs not covered by insurance in claims made against the authority. The second is for its share of the Business Rates Collection Fund outstanding appeals.

The Authority's Reserves and Balances Policy is taken for approval to the Combined Fire Authority meeting each February alongside the budget. The most recent policy set the maximum General Fund reserve level at £10.0m and the minimum at £3.5m. This equates to around 6% of the 2021-22 net revenue budget. The actual General Fund reserve balance at 31 March 2021 stood at £6.5m, or 10.8% of gross expenditure on cost of service. This is the highest of all 29 English standalone fire authorities, which indicates greater financial resilience.



It is not possible to build reserves for every uncertainty into the budget and reserves. What the Authority does well, is include some scenario analysis within the budget and MTFS setting out the impact changes to different assumptions, and the impact of this on the budget gap. Scenarios covered are 2% pay award (instead of a pay freeze) in 2021/22, a funding freeze from 2022-23 to 2025-26, increased pension costs, and council tax rises of 0%-2%. This scenario analysis helps clarify the impact of changes in the assumptions and will aid informed challenge from members of the Combined Fire Authority committee.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services. We have made one improvement recommendation, around identifying savings rather than depleting General Fund reserves.



Improvement recommendations

Financial sustainability

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1 Recommendation	The Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund reserves below the minimum level.
Why/impact	The continued use of reserves to balance the budget is not conducive to financial sustainability.
Auditor judgement	Maintaining General Fund reserves above the Authority's minimum level will ensure the Authority can continue to respond to uncertainties in future years' budgets such as lower than expected grant settlements, higher than expected costs and other unexpected events.
Summary findings	The Authority's Medium Term Financial Strategy has a financial gap of £4.5m from 2021-22 to 2025-26. With no savings plans currently identified to close this gap, the General Fund Reserve will have to be utilised to meet recurrent expenditure, which will reduce the General Fund reserve balance to below the £3.5m minimum set in the Authority's Reserves and Balances Policy.
Management comment	Agreed, this has been in abeyance awaiting a multi-year settlement, hence this will form part of future years budgets/MTFS.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership and committee effectiveness

Appropriate leadership is in place. The Authority is led by its Combined Fire Authority which is supported by an appropriate committee structure of four main committees:

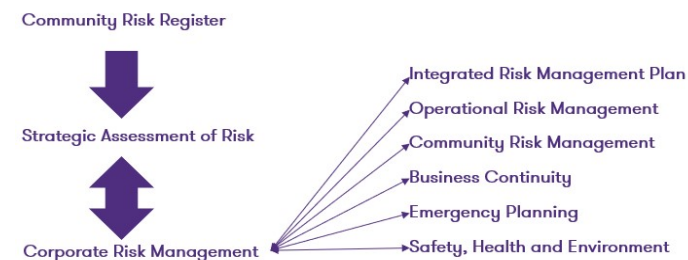
- Audit;
- Performance;
- Planning; and
- Resources.

Senior officers attend the Combined Fire Authority and Committees to present reports and are open to questions during committee meetings. The Combined Fire Authority is made up of 25 councillors from Lancashire County Council, Blackburn with Darwen Borough Council and Blackpool Borough Council.

The Audit Committee demonstrates appropriate challenge of financial and non-financial items. The Committee contains members with financial knowledge to provide appropriate challenge on these items. Strategic decisions are made by the Combined Fire Authority. These are discussed at an Executive level prior to the presentation to Combined Fire Authority / Committee. The Authority requires minuted approval of the Combined Fire Authority Committee's decisions.

We have reviewed examples of reports prepared for the Combined Fire Authority to support the making of strategic decisions. These related to the options for the purchase of new aerial appliances and the business case for a replacement fire headquarters. The reports included sufficient background information, details of the implications of changes in the regulatory environment from reviews resulting from the Grenfell fire, consideration of options using financial and qualitative information, documented the business risks of the options, before making clear recommendations supported by the evidence. We consider the information provided to members is of a good quality and supports informed decision making.

Risk Management Framework



Risk management

We have reviewed the processes the Authority has in place to assess and monitor risk. The Authority produces a Strategic Assessment of Risk (SAoR) each year which is informed by the Community Risk Register (created by the Lancashire Resilience Forum) and the Corporate Risk Register. The SAoR aims to highlight the risks the Authority face and describes how it intends to deal with them. The SAoR underpins the Authority's corporate planning process and aims to strengthen the Integrated Risk Management Plan (IRMP). Whilst the IRMP summarises how, through planning, the authority considers fire and rescue related dangers that could affect their communities and how they aim to tackle them, the SAoR

provides detail on these risks to give context to their corporate planning process.

The Risk Management Strategy (RMS) details how the authority identify, analyse, control and monitor risks. Risks are first identified by reviewing the Services/Departments strategic, operational and project objectives, considering both external and internal factors that influence these and identifying all significant risks, which could impact upon these. Once identified and deemed significant enough to represent a Corporate Risk, the item is added to the Corporate Risk Register by the Director of Corporate Services.

Once identified, they need to be assessed in terms of their likelihood

and their potential impact on the Service/Department/Project (or 'Severity'). The RMS includes guidance on how to make these relatively subjective decisions.

The risks are recorded in the Corporate Risk Register which is the single document used to manage and control risks at a corporate level. For each risk identified, the Authority has four response options - Terminate, Transfer, Tolerate or Treat. Mitigation can also take place to reduce the likelihood or impact.

An internal audit review of Governance, risk management and control arrangements in 2020-21 concluded that 'there is a sound framework of control operating across LFRS and there are appropriate risk management and governance controls in place.'

Overall, the arrangements in place assess and monitor risk are appropriate.

We have reviewed the Corporate Risk Register and note that risks are not mapped against the corporate objectives and there are risks that have been discharged that remain on the risk register that could be removed. We have raised an improvement recommendation in relation to these.

Policies, procedures and controls

The Authority has Constitutional, Procedural and contractual Standing Orders in place covering the make up of the Authority, number of meetings, main roles, committee structure, conduct of meetings and members. The constitution is publicly available on the Authority's website.

The Authority has an Internal Audit function provided by Lancashire County Council's Internal Audit Service. The Authority's internal auditors deliver a wide programme of work and its reports including governance, risk management and control arrangements, service delivery and support, business processes and follow up audit activity. This amounts to good coverage and allows the Audit Committee to obtain sufficient assurance. There is no evidence of significant gaps in the assurance the Audit Committee has obtained. Despite the restrictions of COVID-19, the Authority's Internal Auditors were able to complete sufficient work to issue a 'substantial assurance opinion for 2020-21. They also noted that a strong control environment continues to operate, overseen by a Service Management Team that is responsive to internal audit findings and committed to continuous improvement, and that no significant areas of weakness in governance, risk management or control were identified from, and where areas for improvement were identified, actions were agreed to enhance aspects of the control framework further and to ensure that it is effectively operated throughout.

In respect to the prevention and detection of fraud, the Authority has an Anti-Fraud Policy, Whistleblowing Policy, as well as a Code of Conduct for Fire Authority Members, that along

with the Constitutional and Procedural Standing Orders, was updated and approved in February 2021. The Authority also took part in the National Fraud Initiative which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These policies, and participation in the National Fraud Initiative, taken as a whole reflect a strong institutional response to reducing instances of fraud.

Budget setting and monitoring

The Authority has demonstrated that it has an appropriate annual budget setting process in place. Key stakeholders are involved in the process throughout, including through budgetary approvals and reviews. To enable them to understand financial performance against budget, operational budget holders are provided with monthly monitoring reports, and meet with finance each quarter. Discussions between the finance team and budget holders facilitate appropriate challenge and responses to adverse variances. Quarterly Financial Monitoring

Reports with sufficient detail are taken to each Resources Committee meeting for discussion amongst members. Service activity against is presented to the Performance Committee on a quarterly basis separate to the financial monitoring reports. Since demand-led expenditure is not significant, this approach is reasonable. Where financial variances relate to higher activity, these are explained in the financial monitoring reports, allowing members to make the link between the two. We note that the appropriate policies and procedures are in place with regard to budget setting, financial management, and reporting. Over recent years, the Authority has broadly operated with more surpluses, which reflects good financial planning and management.

Treasury Management

The Treasury Management Policy and Strategy is refreshed and approved annually by the Combined Authority alongside the budget in February. This includes a Treasury Management Policy Statement, Annual Investment Strategy, and Minimum Revenue Provision (MRP) policy. A mid-year Treasury Management report is taken to the Combined Authority in November. This covers borrowing and investments, and their impact on the revenue budget. This appears adequate as the authority only has £2m of borrowing which is not due until 2035, and £20m in long term deposits, so treasury management activity is relatively limited.

Finance team capacity

There has been no turnover of finance staff during 2019/20 or 2020/21. Although it is a small team, there is no evidence of a lack of capacity in the finance department, with budget monitoring and annual accounts being completed to an overall high standard. Whilst the prior year audit did identify a material in year adjustment and a prior period adjustment, this was due to a specific issue relating to pensions, and as no significant issues were noted in the 2020-21 audit there is no evidence of serious or pervasive weaknesses in the Authority's

processes for preparing its financial statements. This is detailed further in the ‘Opinion on the financial statements’ section of this report. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

Monitoring and ensuring appropriate standards

The Authority has arrangements in place to monitor compliance with legislation and regulatory standards, including receiving reports to the Audit Committee from internal audit.

A Code of Conduct for staff is in place which outlines what employees can expect from the Authority, and what is expected of them as employees, in relation to being an ambassador of the FRS, gifts and sponsorship, relationships, declarations of interests, managerial responsibilities, and standards in relation to drugs and alcohol. The Code of Conduct is based on the Authority’s STRIVE values (Service, Trust, Respect, Integrity, Valued, Empowered) which are widely publicised and understood amongst staff.

A Code of Conduct for members of the Combined Fire Authority is in place. This is based on the Seven Principles of Public life (Nolan Principles). The version that was approved in February 2021 is lifted from the LGA model code of conduct published in 2020 following a 2019 review.

The Code of Conduct for members of the Combined Fire Authority includes a Gifts and Hospitality policy which states that they ‘should not accept gifts of hospitality which could give rise to real or substantive personal gain or a reasonable suspicion of influence on their part to show favour from persons’. Members also have to register, with the Monitoring Officer, any gift or hospitality over £50, and any gift or hospitality offered but not accepted. This is stronger than the previous gifts policy in place until February 2021, which did not mandate members to register gifts and hospitality, but did mandate them not to accept any greater than £50 in value.

There is a standing item in all Combined Authority and committee meetings to disclose pecuniary and non-pecuniary interests relating to matters on the agenda. These are recorded on the Register of Interests, along with any other interests, including directorships, that have already been declared as required by the Code of Conduct. As part of audit procedures completed on the Statement of Accounts, we identified one instance where a member of the Combined Fire Authority had not declared a directorship. Whilst further investigation clarified that no transactions had taken place with the company, we have made an improvement recommendation, as its failure to be registered does indicate some scope for improving the capture of interests.

The most recent full inspection by Her Majesty’s Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) published in 2018/19 scored Lancashire Fire and Rescue Service

as ‘Outstanding’ for the question ‘How well does the FRS promote its values and culture?’

This would indicate that there is a strong tone from the top to maintain an appropriate culture within the body.

We have not identified or been made aware of any significant non-compliance with the body’s constitution, or breaches of legislation or regulatory standards, or serious data security breaches.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority’s arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made three improvement recommendations. Two of these relate to risk management and the other relates to the completeness of the register of interests.

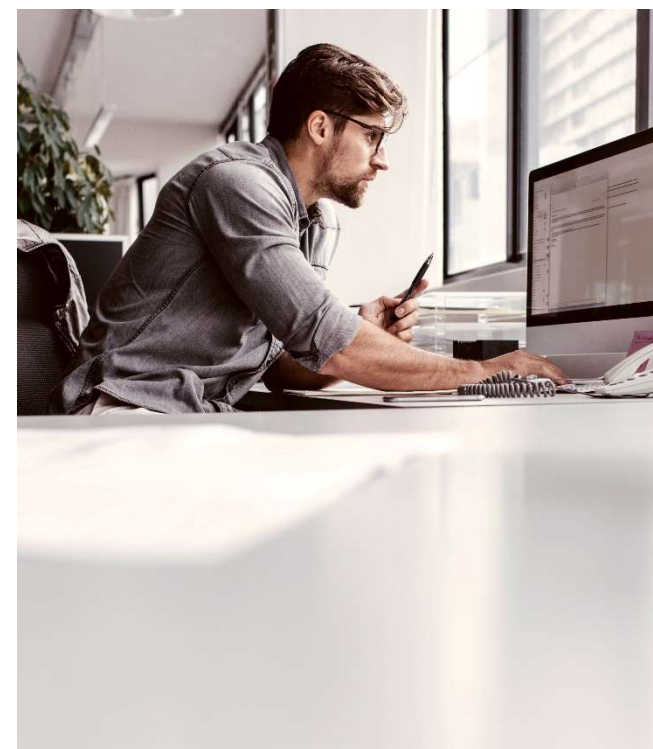


Improvement recommendations

Governance

2 Recommendation	Within the Corporate Risk Register, we recommend that each risk is mapped to the relevant corporate objectives.
Why/impact	Mapping the risks on the Corporate Risk Register will enable new analysis of which corporate objectives are most at risk, and the impact on achieving the objectives of not mitigating risks sufficiently.
Auditor judgement	Clear mapping between the Corporate Risk Register and the corporate objectives will enable members to exercise scrutiny in better detail.
Summary findings	On the Corporate Risk Register, risks are not mapped against the corporate objectives.
Management comment	We do not believe this will assist as many of the risks span across more than one objective.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

2 Recommendation	The Authority should remove discharged risks from the Corporate Risk Register
Why/impact	Removing discharged risks will allow members to focus on the 'live' risks.
Auditor judgement	If a risk is discharged, leaving it on the Corporate Risk Register clutters it, making it harder for members to focus on the remaining risks.
Summary findings	On the Corporate Risk Register, there are risks that have been discharged that remain on the risk register.
Management comment	We do not accept this recommendation, the inclusion of discharged risks demonstrates which risks have previously been considered by the Authority. The reporting of risks makes it clear that these have previously been discharged, and does not impact on Members focusing on 'live' risks.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

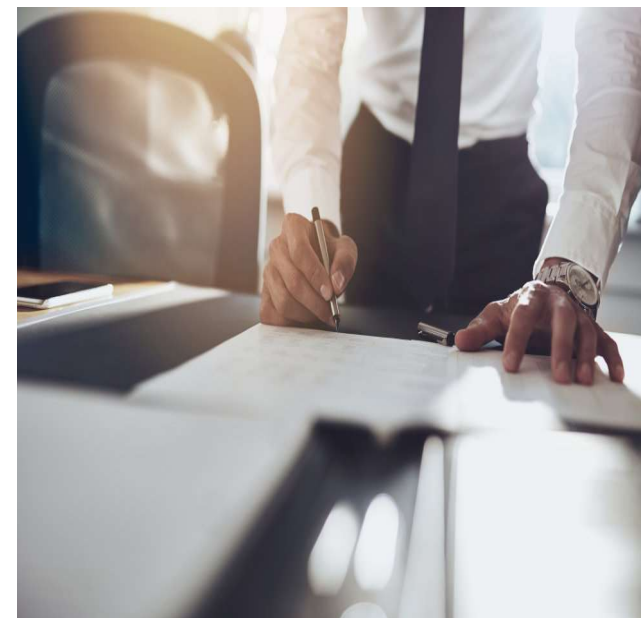
4 Recommendation Review the adequacy of procedures around members declaring interests. Also, implement a regular completeness check to identify any gaps in declarations. For example, this may include a search of Companies House records to compare directorships held to those recorded on the register of interests.

Why/impact Improved procedures will reduce the likelihood of further interests not being captured on the register of interests., which will support members in being to demonstrate that they have remained impartial, and no conflict of interests have arisen in the completion of their duties.

Auditor judgement The identification of a member's directorship that had not been declared on the register of interests indicates that the register is incomplete.

Summary findings During work on the financial statements audit, we identified one instance where a member of the Combined Fire Authority had not declared a directorship on the register of interests. Further investigation clarified that no transactions had taken place with the company.

Management comment We will conduct a review about adequacy of procedures around the declaration of Members' interests, including consideration of what, if any, verification process is required.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Identifying areas for improvement

Performance of the Fire Service is monitored by the Authority through quarterly performance reports which are taken to the Performance Committee, and subsequently to the Combined Fire Authority meetings. The performance reports include performance against the key performance indicators (KPIs) which are set by the Authority. The KPIs cover

- preventing fires and other emergencies from happening,
- protecting people and property when fires happen;
- responding to fire and other emergencies quickly and competently;
- delivering value for money in how the service uses its resources: and
- valuing our people so that they can focus on making Lancashire safer.

These align well with the Authority's Corporate Strategy.

The Performance Committee's remit includes all aspects of performance monitoring; monitoring of implementation of the Authority's Corporate Plan; and monitoring of implementation of the Integrated Risk Management Plan. We have seen evidence that where exceptions of KPIs are identified in the performance reports further narrative and analysis is included, as well as actions taken to improve performance.

Other sources of performance data come from the 2018 HMICFRS report which includes some high level KPIs of cost and performance, as well as comparative data for staff sickness data, CIPFA statistics, and biannual reports from NW Fire Control. Additionally, an annual comparison against a 'family' group of similar sized fire authorities is compiled from Home Office data and shared with fire authorities. For 2020/21, out of a family group of 18 (with only data for 15) the Authority were:

- second best for Arson Incidents
- second for Deliberate Primary Fires
- third for Deliberate Secondary Fires
- thirteenth for Number of primary fires
- third for Number of fatalities in primary fires
- tenth for Number of non-fatal casualties in primary fires

In all of these KPIs, Lancashire Fire and Rescue had improved upon the previous year's performance.

Overall, despite being an already high performing fire service, it is clear from the use of performance reporting and comparative data that Lancashire Fire Authority is striving to continue to improve performance.

Working with others

The Authority works with other emergency services across Lancashire as part of a Blue Light Collaboration (BLC). During 2020-21, quarterly BLC meetings were put on hold, largely due to the ongoing support provided by the blue light agencies to Lancashire Resilience Forum (LRF) in response to the COVID-19 pandemic. See COVID-19 section for further details of the Authority's contribution to the response to the pandemic.

A review of the benefits realised from areas of collaboration with other blue light services was carried out by an outside body in 2020-21. It identified a number of areas where collaborations over the previous 3 years had taken place including site sharing (including purpose built sites as well as clearing space for ambulances at existing fire stations), shared drones and drone pilots, Fire service doing forced entries and door / lock replacements, shared learnings, shared implementation of GDPR, and youth engagement with the Prince's Trust. In total the review estimated around £1.3m was saved over three years through collaboration amongst the blue light services. Some weaknesses were identified in arrangements to progress and report collaborative projects and there being little evidence of data being proactively captured to demonstrate intangible benefits of the projects.

Recommendations were made to improve project management by stabilising the collaborative project team and to make some adaptations to the current Project Initiation Documents so that risks are tracked, tangible and intangible benefits were captured and could be reported appropriately.

LCFA is also one of four 25% shareholders in North West Fire Control Limited (NWFC), which is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The Company's shareholders are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). Each member of the company has the right to appoint two directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights. NWFC operates the control rooms for all the FRAs. The cost of the service is charged out to the four FRAs on an agreed pro rata basis agreed by a Service Level Agreement. Every six months a representative from NWFC reports to the LCFA Performance Committee on analysis of dispatching calls and incident response. From review of minutes of these meetings, it is clear that the representative of NWFC is held to account and members of the committee are able to provide challenge in areas of performance.

This evidences that the Authority is working with key stakeholders and reflecting on how existing partnerships can be improved to deliver further savings and better services.



Procurement

The Authority has a Procurement Strategy in place which sets out a framework to achieve compliant procurement throughout the Authority which adequately reflects the Home Office collaborative agenda, the Authority's Corporate Plan, adherence to internal Contract Standing Orders and Financial regulations and the Authorities commitment to sustainable Procurement.

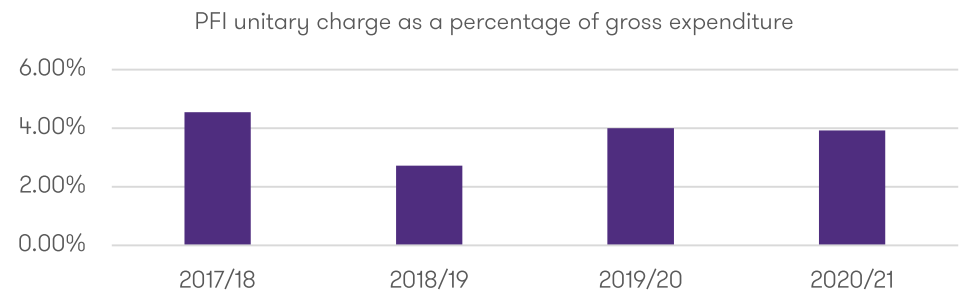
The Authority's website has a section on procurement which details its approach to procurement publicly, which is consistent with the Authority operating fair and open procurements.

The Procurement Department works closely with four other North West Fire and Rescue Authorities (Merseyside, Greater Manchester, Cumbria and Cheshire) to collaborate on procurement activity. The Authority also collaborates with other emergency services, local authorities and other public bodies when it is advantageous to do so. The authority had been considering a site-sharing arrangement with North West Ambulance Service (NWAS), but following a review at an early stage, this approach was abandoned due to some complications and risks that the project would not deliver good value for money.

The Authority has sought to reduce costs of fleet maintenance by bringing some of the more straightforward repairs in-house rather than use their more expensive main contractor.

PFI schemes

The Authority has two existing PFI schemes in place that started in 2002 (30 years scheme) and 2011 (25 years scheme). As there are around 11 and 15 years respectively remaining on the schemes, the PFI expiry has not yet been considered in detail. The Authority considers that the schemes are providing good value for money.



Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Authority's arrangements have adapted to respond to the new risks they are facing.

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Financial sustainability

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. Their report concluded the Authority had made robust and realistic calculations of the extra costs it has faced during the pandemic. Specific cost centre codes were created to capture the actual spend against their forecasts. In 2020-21, the Authority received COVID-19 grant funding of around £1.6m, of which £1.3m was spent on additional staff costs, cleaning and decontamination supplies, remote working equipment, and personal protective equipment (PPE) by the end of the year. Therefore, the Authority did not have to use any of its own reserves to meet the extra costs that arose in this period.

Governance

Following the national lockdown, face to face meetings were cancelled between mid March and May 2020. Authority and committee meetings moved to video conferencing and took place remotely for the rest of the year. There is evidence within Authority and Committee meeting minutes, and HMICFRS report that appropriate levels of scrutiny and challenge continued to be applied by members.

The HMICFRS COVID-19 inspection report concluded found that members of the Authority were actively engaged in discussions with the Chief Fire Officer and

the service on the Authority's ability to discharge its statutory functions during the pandemic. The service regularly updated the Authority about how it was responding to the pandemic and the extra activities of its staff.

The corporate risk register was updated to ensure COVID-19 related risk, or existing risks impacted by COVID-19 were recorded appropriately, mitigated where appropriate and monitored.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the Authority has not seen a significant impact on productivity as a result. Requiring staff to work from home also supported the Authority's protection of its frontline staff.

Improving economy, efficiency and effectiveness

During pandemic the authority was able to use the national procurement framework that was set up by Kent FRS for a vast majority of procurement, including PPE. This helped reduce some of the burden on the procurement team. However, due to the pandemic, a number of procurement exercises have slipped and backlog has built up. In response the Authority has put in place a prioritisation project to manage the deliver of procurement.

In support of the Lancashire Local Resilience

Forum, in response to the pandemic, staff from the Lancashire Fire and Rescue Service have been involved in activities including:

- fitting for face masks to be used by frontline NHS and clinical care staff;
- mass casualty transportation;
- supporting vulnerable persons;
- delivering PPE and other medical supplies to NHS and care facilities;
- acting as lead agency for collating all PPE requirements through the Joint Intelligence and Planning Group; and
- Supporting the vaccine roll out

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements adapted to respond to the new risks they are facing as a result of COVID-19.



Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 30 September 2021.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Authority's Audit Committee on 27 September 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are not able to complete the work required to issue the WGA Component Assurance until guidance is available from HM Treasury. We therefore continue to be unable to certify the completion of the audit for 2020-21.

Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Findings arising from the accounts:

- A recommendation were made in relation to controls around the approval journals
- We did not identify any adjustments to the financial statements that resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement.
- We identified some improvements that were required to disclosures within the financial statements.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Fire and Rescue Service



Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The 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.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. As reported in our Audit Plan, we did not identify any risks of significant weakness in the Fire Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	Financial Sustainability - Page 10 Governance - Pages 14-16



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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 30 November 2021

INTERNAL AUDIT MONITORING REPORT

(Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Table 1 Executive Summary and Recommendations

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2021/22.

Recommendation(s)

The Committee is asked to note/endorse the report.

Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 12 November 2021 is attached as Appendix 1 and will be presented by the Head of Internal Audit.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

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

Table 2 Details of any background papers

Paper:	
Date:	
Contact:	
Reason for inclusion in Part 2 if appropriate:	

Appendix A

Lancashire Combined Fire Authority

Internal Audit Service monitoring report: period ended 12 November 2021

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2021/22 was approved by the Audit Committee in March 2021. This report details the progress to date in undertaking the agreed coverage.

Acknowledgements

- 1.2 We are grateful for the assistance that has been provided to us in the course of our work.

2 Key issues and themes arising

- 2.1 No areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2021 to 12 November 2021 was in accordance with the agreed audit plan. To date, 39 days have been spent this financial year on completion of the 2021/22 plan, equating to 56% of the total planned audit activity of 70 days.
- 3.2 A summary of the scope and findings for the work completed to date is shown below. We have additionally agreed the timing for commencement of the remaining assignments, and this information is provided in the table at the end of section 4.

Accounts payable, Accounts receivable and General ledger

- 3.3 The audits have considered whether there are adequate and effective controls in place to ensure:
- Compliance with financial regulations and the scheme of delegation.
 - Processes employed for the ordering, receipting and payment of goods and services are appropriate and efficient.
 - Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid.
 - Invoices are raised on a timely basis for all goods and services provided.
 - Invoices are cancelled or written off appropriately.
 - Debtors are actively managed so as to reduce the level of bad debts and loss of income.
 - Access to the accounting systems is appropriately managed and controlled.
 - There are no unauthorised changes to the accounting records.
 - Financial data is complete, timely and accurate.
- 3.4 Based on our review we can provide an opinion of *substantial* assurance on the three key financial systems. There is a sound system of internal control, adequately designed to meet service objectives, and controls are being applied consistently. A strong control environment continues to be maintained by the finance and procurement teams at LFRS.

Treasury Management

- 3.5 Our audit work sought to assess whether Treasury Management borrowing, and investment activity and reporting has been undertaken in accordance with the approved Treasury Management Strategy and in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
- 3.6 An opinion of *substantial* assurance was provided, and no areas for improvement were identified.

Training, learning and development

- 3.7 We have completed a review to determine the adequacy and effectiveness of the controls in place to ensure that operational personnel are able to demonstrate ongoing compliance with the competencies required for their role. This involved:
- A review of the Training Plan and Service Orders to ensure they are up to date, relevant and available to all staff.
 - A review of the training schedule to ensure that training takes place in line with it and that any classroom-based training is monitored to ensure absences are recorded and followed up.
 - Reviewing records regarding the completion of core skills.
 - A review of a sample of 'training needs' to ensure that they are identified as they occur and are reflected in training records on a timely basis.
 - A review of the processes and procedures within the Operational Assurance team, to ensure that the team through the Operational Assurance Preparedness visits assess how well operational knowledge obtained is embedded and debriefing takes place.
 - A review of the management reports generated from the relevant IT systems to support managers in ensuring that training is undertaken within designated timescales.
- 3.8 Based on our review we can provide *moderate* assurance over the adequacy and effectiveness of the training, learning and development control framework. Whilst we found that the provision of training and internal assurance arrangements are appropriately structured so as to support firefighters in maintaining the competencies required for their role, we have identified some actions to improve the overall monitoring and reporting arrangements which will provide greater assurance that training is being undertaken appropriately and learning is embedded.

4 Overall summary and assurance provided

- 4.1 We have set out in the table on the following pages the planned and actual days we have spent on each review to date.
- 4.2 We also provide a summary of the assurance we have provided in relation to each system or operational area of business where work has been finalised.

System adequacy: We define a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

- 4.3 The assurance we provide over any area of control falls into one of four categories and these are defined at Appendix 1.

Use of this report

- 4.4 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Governance, risk management and control arrangements	3	1.5	1.5	O/S	O/S	An overall opinion on the adequacy and effectiveness of governance, risk management and control arrangements will be reported as part of the 2021/22 Annual Report of the Head of Internal Audit. We have already completed an interim review, which will be completed during quarter 4.
Service delivery and support						
Training, learning and development	12	16	(4)	✓	✓	Our audit report was finalised in August 2021 and four medium and three low residual risk actions have been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.
				Moderate assurance		
Recruitment	12	1.5	10.5	O/S	O/S	We have completed some internal scoping work and we will be conducting our audit fieldwork during quarter 4.
Business processes						
Accounts payable	7	6.5	0.5	✓	✓	Our audit work across each of these three key financial systems was completed in November 2021. No areas for improvement were identified.
				Substantial assurance		
Accounts receivable	4	3.5	0.5	✓	✓	
				Substantial assurance		
General ledger	4	3	1	✓	✓	
				Substantial assurance		

Lancashire Combined Fire Authority
Internal Audit Service monitoring report: period ended 12 November 2021

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
HR and Payroll	10	0	10	O/S	O/S	We have agreed that this audit will be conducted during January 2022.
Treasury management	4	4.5	(0.5)	✓	✓	Our review was completed in October 2021. No areas for improvement were identified.
				Substantial assurance		
Pension administration	1	0	1	N/A	N/A	Assurance over pension administration arrangements will be collated and reported during quarter 4.
Follow up audit activity						
Safeguarding	1	0	1	N/A	N/A	This work will be scheduled for completion during quarter 4.
Compliance with GDPR and data protection standards	1	0	1	N/A	N/A	This work will be scheduled for completion during quarter 4.
Other components of the audit plan						
Management activity	8	2	6	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> • Production of the 2020/21 Annual Report of the Head of Internal Audit; and • Preparation of Audit Committee monitoring reports. • Reissue of the Internal Audit Charter and Engagement Letter. • General management and quality assurance.
National Fraud Initiative	3	0.5	2.5	N/A	N/A	All matches from the current exercise have now been investigated. One error was identified, with no financial impact.
Total days	70	39	31			

Audit assurance levels and residual risks

Appendix 1

The assurance we can provide over any area of control falls into one of four categories as follows:

Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.

Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

We categorise the issues we raise in the context of the residual risk to which the service is exposed. The actions are therefore defined as 'extreme', 'high', 'medium' or 'low' in relation to the residual risk they are designed to address and fall into the following categories:

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to business or to service users, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to reputation. *Remedial action must be taken urgently.*

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 30 November 2021

APPOINTMENT OF EXTERNAL AUDITORS

(Appendices 1 and 2 refer)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Table 1 Executive Summary and Recommendations

Executive Summary

The initial 5-year appointment process for our external auditors, run by Public Sector Audit Appointments (PSAA) ends in 2022/23. As such the Authority need to determine whether to opt into a new exercise, for a further 5 years, or to seek alternative means of appointing external auditors.

Recommendation(s)

The Committee is asked to recommend that the Full Authority accepts PSAAs invitation to opt into the national scheme.

Information

In 2017 the Authority opted into Public Sector Audit Appointments (PSAA) auditor appointment arrangements, whereby PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. This appointment covered the period 2018/19 to 2022/23.

As this arrangement will expire in 2022/23 the Authority needs to determine how to appoint its external auditors when this arrangement expires.

There are three ways for a principal local government or police body to appoint its auditor for the five financial years from 2023/24:

- undertake a stand-alone individual auditor procurement and appointment exercise;
- undertake a joint audit procurement and appointing exercise with other bodies; or
- join PSAA's sector led national scheme.

These options were considered in 2017 (appendix 1 sets out the advantages / disadvantages of the options that were considered in 2017). At the time the Authority determined that pursuing the sector led approach represented the best option. We do not believe this position has changed with the following advantages still being identified for this option: -

- avoid the necessity to establish an independent auditor panel (detailed requirements specified by the Local Audit & Accountability Act, 2014);
- avoid the need to manage their own auditor procurement, including the costs of doing so;
- benefit from PSAA undertaking a robust process to validate fee variation proposals; and
- assuming a high level of participation, be able to support market sustainability and encourage realistic prices in a challenging market.

Regardless of which option is chosen a local auditor must be appointed no later than 31 December in the financial year preceding the financial year of the accounts to be audited, i.e. for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022.

PSAA's sector led national scheme

In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible bodies to join the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person. Attached as appendix 2 is the Prospectus that PSAA issued at the time.

A decision to become an opted-in authority must be taken in accordance with the Regulations by the Members of an Authority meeting as a whole, i.e. the full Authority.

The closing date to give notice to PSAA of the authority's acceptance of the invitation is 11 March 2022.

Following the completion of the procurement of audit services (envisaged as August 2022), the auditor appointment process will be:

- publish the process for making individual auditor appointments for opted-in bodies from 2023/24 during spring/summer 2022;
- consult with opted-in bodies on proposed auditor appointments during the late summer/autumn 2022; and
- confirm all auditor appointments by 31 December 2022.

Financial Implications

The external audit fee for 2020/21 account was £39k. In recent years this fee has increased due to the additional requirements placed on auditors by the Financial Reporting Council. Audit firms have expressed a view that the existing fees are not sustainable and hence any procurement exercise is likely to result in higher fees, irrespective of how it is conducted.

Opting into a national sector led approach with PSAA provides some opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and it is felt that a sector led approach is likely to result in the best compromise between sustainable fees and quality of audit.

It would also remove the costs of establishing an auditor panel, required under the other two approaches, which if selected, will need to be incorporated into future years budgets.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

As there are only a limited number of external audit firms who have the capacity and specialist teams to undertake local authority audits and therefore there is a risk that in trying to procure in isolation/in a small group, we may get a low level of interest, and/or higher cost, as the external audit firms would be likely to focus their efforts in securing a larger contract through the PSAA procurement exercise.

Environmental Impact

None

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

Table 2 Details of any background papers

Paper:	Audit Findings Report
Date:	September 2021
Contact:	Keith Mattinson
Reason for inclusion in Part 2 if appropriate:	

Options for local appointment of External Auditors – Reported in March 2016

There are three broad options open to the Authority under the Local Audit and Accountability Act 2014 (the Act):

- Option 1 To make a stand-alone appointment
- Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements
- Option 3 Opt-in to a sector led body

Option 1 To make a stand-alone appointment

In order to make a stand-alone appointment the Authority will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Authority's external audit. A new independent auditor panel established by the Authority will be responsible for selecting the auditor.(assuming there is no existing independent committee such as the Audit Committee that might already be suitably constituted).

Advantages/benefit

- Setting up an auditor panel allows the Authority to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
- The Authority will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

The disadvantages appear to outweigh the advantages on this option and as such I believe this option should not be pursued

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

The Act enables the Authority to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Authority under the Act and the Authority need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

- There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Authority, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual Authority's have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Authority. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Authority then the Authority may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

This option has some merit but it is felt that the potential advantages of pursuing a Sector Led Body approach are more significant. Informal discussions with other Treasures indicated a similar position.

Option 3 Opt-in to a sector led body

In response to the consultation on the new arrangement the LGA successfully lobbied for Authority's to be able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act. A Sector Led Body would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- Any conflicts at individual authorities would be managed by the Sector Led Body who would have a number of contracted firms to call upon.
- The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

- Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- In order for the Sector Led Body to be viable and to be placed in the strongest possible negotiating position the Sector Led Body will need Authority's to indicate their intention to opt-in before final contract prices are known.

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PROSPECTUS

The national scheme for local auditor appointments

All eligible bodies

September 2021

www.psaa.co.uk

About PSAA

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

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Introduction

PSAA has issued its formal invitation to all eligible bodies to opt into the national scheme for local auditor appointments for the second appointing period, which will provide external audit arrangements for the period commencing from the financial year 2023/24.

This prospectus is published to provide details of the national scheme and to assist eligible bodies in deciding whether or not to accept PSAA's invitation. The scheme has been shaped by [your feedback to the June 2021 consultation](#) on our draft prospectus. The key areas of our approach that have been refined in response to consultation feedback are set out later in this prospectus.

In relation to appointing auditors, eligible bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision must be taken by the holder of that office.

An eligible body that has decided to join the scheme must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) **no later than midnight on Friday 11 March 2022**.

An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.

Audit does matter

The purpose of audit is to provide an independent opinion on the truth and fairness of the financial statements, whether they have been properly prepared and to report on certain other requirements. In relation to local audit the auditor has a number of distinctive duties including assessing the arrangements in place to deliver value for money, and dealing with electors' objections and issuing public interest reports.

Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

“The LGA set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market.”

James Jamieson. Chairman of the Local Government Association

Context: changes in the audit market

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Our initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, we were able to enter into long term contracts with five experienced and respected firms and to make auditor appointments to all bodies. However, although we did not know it at the time, this was the calm before the storm.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the Government commissioned four independent reviews, all of which have subsequently reported:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total the four reviews set out more than 170 recommendations which are now at various stages of consideration by Government with the clear implication that a series of significant reforms could follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place were clearly visible in response to a more focused regulator that was determined to achieve change. In order to deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain higher levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) - a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements, and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It creates disruption and reputational damage for affected parties. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the regulatory drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been received than in prior years and audit costs have increased.

None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where, for example, increased fees and disappointing responses to tender invitations have been experienced during the past two years.

All of this paints a picture of an audit industry under enormous pressure, and of a local audit system which is experiencing its share of the strain and instability as impacts cascade down to the frontline of individual audits. We highlight some of the initiatives which we have taken to try to manage through this troubled post-2018 audit era in this prospectus.

We look forward to the challenge of getting beyond managing serial problems within a fragile system and working with other local audit stakeholders to help design and implement a system which is more stable, more resilient, and more sustainable.

Responding to the post-2018 pressures

MHCLG's¹ Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

Local government audit will not be immune from these difficulties. However, we do believe that PSAA's national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

We believe that the national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;

¹ Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

The national scheme from 2023/24 will build on the current scheme having listened to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience.

Since 2018 we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

As a member of the newly formed Local Audit Liaison Committee (established by MHCLG as outlined in its Spring statement), we are working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, ICAEW, CIPFA and the LGA to help identify and develop further initiatives to strengthen local audit. In many cases desirable improvements are not within PSAA's sole gift and, accordingly, it is essential that this work is undertaken collaboratively with a common aim to ensure that local bodies continue to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the likely success of a further procurement to take effect from 1 April 2025), we believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. We have set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.

PSAA is well placed to lead the national scheme

As outlined earlier, the past few years have posed unprecedented challenges for the UK audit market. Alongside other stakeholders PSAA has learned a great deal as we have tried to address the difficulties and problems arising and mitigate risks. It has been a steep learning curve but nevertheless one which places us in a strong position to continue to lead the national scheme going forward. MHCLG's Spring statement confirmed Government's confidence in us to continue as appointing person, citing our strong technical expertise and the proactive work we have done to help to identify improvements that can be made to the process.

The company is staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees. All of these roles are undertaken with a detailed, ongoing, and up-to-date understanding of the distinctive context and challenges facing

both the sector and a highly regulated service and profession which is subject to dynamic pressures for change. Where appropriate we have worked with MHCLG to change our regulations where they are preventing efficiency.

We believe that the national collective, sector-led scheme stands out as the best option for all eligible bodies - especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.

Membership of the scheme will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. Assuming a high level of participation, the scheme can make a significant contribution to supporting market sustainability and encouraging realistic prices in a challenging market.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO²), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

The scope of public audit is wider than for private sector organisations. For example, for 2020/21 onwards it involves providing a new commentary on the body's arrangements for securing value for money, as well as dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports.

Auditors must be independent of the bodies they audit to enable them to carry out their work with objectivity and credibility, and to do so in a way that commands public confidence. We will continue to make every effort to ensure that auditors meet the relevant independence criteria at the point at which they are appointed, and to address any identified threats to independence which arise from time to time. We will also monitor any significant proposals for auditors to carry out consultancy or other non-audit work with the aim of ensuring that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditor to bodies involved in formal collaboration/joint working initiatives, if the parties consider that a common auditor will enhance efficiency and value for money.

² MHCLG's Spring statement proposes that overarching responsibility for the Code will in due course transfer to the system leader, namely ARGAs, the new regulator being established to replace the FRC.

PSAA's commitments

PSAA will contract with appropriately qualified suppliers

In accordance with the 2014 Act, audit firms must be registered with one of the chartered accountancy institutes - currently the Institute of Chartered Accountants in England and Wales (ICAEW) - acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will then be subject to inspection by either or potentially both the RSB and the FRC. Currently there are fewer than ten firms registered to carry out local audit work.

We will take a close interest in the results of RSB and FRC inspections and the subsequent plans that firms develop to address any areas in which inspectors highlight the need for improvement. We will also focus on the rigour and effectiveness of firms' own internal quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. To help inform our scrutiny of both external inspections and internal quality assurance processes, we will invite regular feedback from both audit committee chairs and chief finance officers of audited bodies.

PSAA will support market sustainability

We are very conscious that our next procurement will take place at a very difficult time given all of the fragility and uncertainties within the external audit market.

Throughout our work we will be alert to new and relevant developments that may emerge from the Government's response to the Kingman, CMA and Brydon Reviews, as well as its response to the issues relating specifically to local audit highlighted by the Redmond Review. We will adjust or tailor our approach as necessary to maximise the achievement of our procurement objectives.

A top priority must be to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process, where appropriate in the form of national variations.

PSAA will offer value for money

Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies.

We believe that the most likely way to secure competitive arrangements in a suppliers' market is to work collectively together as a sector.

We will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies. We will also continue to seek to minimise our own costs (which represent approximately 4% of overall scheme costs). We are a not-for-profit company and any surplus funds will be returned to scheme members. For example, in 2019 we returned a total £3.5million to relevant bodies and, more recently, we announced a further distribution of £5.6m in August 2021.

We will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties. Pooling is a key tenet of the national collective scheme.

Additional fees (fee variations) are part of the statutory framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Fees are rising in response to the volume of additional audit work now required.

The outcome is awaited of MHCLG's recent consultation on changes to the regulations, designed to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year (rather than before it starts). If implemented, these changes will enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.

It is important to emphasise that by opting into the national scheme you have the reassurance that we review and robustly assess each fee variation proposal in line with statutory requirements. We draw on our technical knowledge and extensive experience in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision.

Procurement Strategy

Our [procurement strategy](#) sets out the detail and scope of the procurement to deliver contracts from which the auditor appointments will be made for eligible bodies that decide to accept the invitation to opt into PSAA's scheme.

Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

We expect to initiate a new procurement for audit services in February 2022 and, subject to a satisfactory outcome, to award contracts in August 2022. Subject to consultations with opted-in bodies and audit firms, we plan to make auditor appointments by 31 December 2022 (as required by the regulations).

Response to consultation feedback

PSAA consulted with eligible bodies and other stakeholders on our draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy. The insight provided from both these important consultations has helped to shape the arrangements that PSAA will implement from 2023/24. Key areas are highlighted below.

Evolution of the Local Audit Framework

The consultation responses highlight the need for system-wide change. In many areas it is not within PSAA's remit to effect the significant change required.

The newly formed Local Audit Liaison Committee (as outlined in MHCLG's Spring statement), has enabled PSAA to highlight the need for a range of actions to tackle the identified issues that are essential to support a more stable, more resilient, and more sustainable local audit system. Sometimes the actions can be taken by individual organisations, but more frequently responsibility lies collectively across the system. The Liaison Committee and its members are now taking actions forward, including:

- All stakeholders to communicate the importance of audit timeliness as a consistent message to audit firms;
- PSAA to work with the FRC to develop the approach to quality evaluation of tenders;
- MHCLG and other stakeholders to understand the extent of potential increased audit costs for all eligible bodies and to consider how these might be met;
- All stakeholders to consider ways in which to attract new entrants (firms and Key Audit Partners) into the market;
- Central government departments to provide clarity on the direction of local audit policy to inform firms' consideration ahead of next procurement;
- The NAO and FRC to work together to consider how they can provide clarity about the future direction of the Code of Audit Practice to firms ahead of the next procurement; and
- MHCLG, CIPFA and the LGA to consider how to support finance departments with accounting and audit requirements.

In the vast majority of the areas consulted on which were within PSAA's remit, responses were supportive of our proposals for the national scheme from 2023/24 which is very encouraging. Areas where we have revisited and evolved our approach are highlighted below.

Minimum Audit Fees

Audit fees are rising in all sectors in response to increased regulatory requirements for audit quality and changes in audit scope and technical standards. Striving to ensure realistic fee levels is a vital prerequisite to achieving a more sustainable and stable local audit market.

Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, we propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body for this purpose).

We cannot anticipate scale fees for the next appointing period at this stage, because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. It is likely, given current expectations, that the introduction of a minimum fee specifically would lead to an increase in fees for a relatively small number of local bodies. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.

Introducing a minimum fee is a one-off exercise designed to improve the accuracy of the fee scale for the next appointing period. Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set.

Standardised fee variations

Current local audit regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

Approach to social value in the evaluation of tenders

We plan to retain our original proposal of a 5% weighting but to broaden the criteria by asking bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.

Contract Management

The quality of the audit services received by opted-in bodies is very important to both the bodies themselves and to PSAA. Our intention is therefore to focus a significant majority of the quality assessment of tender submissions on resourcing, capacity and capability (including sector knowledge) and on client relationship management and communication. Correspondingly, we intend to apply a lesser weighting to those criteria that are regularly assessed by the regulator. We will seek the views of the regulator in developing the detail of our approach.

We will also review the contract terms used in 2017 ahead of the next procurement of audit services. In particular we will consider the potential to introduce enhanced performance management arrangements aligned to the greater emphasis on quality within the tender evaluation process. Any such revision must ensure continued compliance with the FRC's Ethical Standard which prevents audit fees from being "*calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed*".

Information and Communication

Following the success of the webinars held to support the recent consultation, PSAA will be running a series of webinars starting in October 2021. The webinars will provide eligible bodies with the opportunity to hear and ask questions about specific areas of scheme arrangements and PSAA's work, and our progress to prepare for the second appointing period. Details of the [webinar series](#) can be found on our website.

Eligible Principal Bodies in England

The following bodies are eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils
- metropolitan borough councils
- London borough councils
- unitary councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area
- chief constables for an area
- national park authorities for a national park
- conservation boards
- fire and rescue authorities
- waste authorities
- the Greater London Authority and its functional bodies
- any smaller bodies whose expenditure in any year exceeds £6.5m (e.g. Internal Drainage Boards) or who have chosen to be a full audit authority (Regulation 8 of Local Audit (Smaller Authorities) Regulations 2015).

Board Members

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

PSAA Board members bring a wealth of executive and non-executive experience to the company. Areas of particularly relevant expertise include public governance, management and leadership; local government and contract law; and public audit and financial management.

Further information about PSAA's Board can be found at <https://www.psaa.co.uk/about-us/who-we-are/board-members/>

Senior Executive Team

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

Within the PSAA senior executive team there is extensive and detailed knowledge and experience of public audit, developed through long standing careers either as auditors or in senior finance and business management roles in relevant organisations.

Further information about PSAA's senior team can be found at <https://www.psaa.co.uk/about-us/who-we-are/executive-team/>

Annex - Procurement Options

Our Preferred Option

A 5 year contract with the fallback of the right to extend one or more of the current contracts if there are insufficient or unaffordable bids.

Other Options Considered and Rejected

Option 1

Extending the existing contracts for 2 years and deferring the procurement. We want to secure 5 year contracts if we can because we believe this option is more attractive to the market.

Option 2

A 5 year contract with a commitment not to extend the existing contracts. We need the back stop of the right to extend the existing contracts if there are insufficient bids to allow us to make auditor appointments to all opted in bodies or if any of the bids received propose unacceptable prices.

Option 3

A 5 year contract with pre-determined prices for years 1 and 2 thereby avoiding the need for firms to price in the value of the right to extend the existing contracts. We believe such an arrangement will be unattractive to the market. Firms should be able to offer their own prices for years 1 and 2.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 30 November 2021

RISK MANAGEMENT

(Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services– telephone 01772 866804.

Table 1 Executive Summary and Recommendations

Executive Summary

The report highlights action taken in respect of corporate risk since these were last reported to the Audit Committee.

Recommendation(s)

The Committee is asked to note the actions taken and endorse the revised corporate risk register.

Information

The latest review of the corporate risk register has identified one new risk which warrants consideration for inclusion on the corporate risk register: -

Increase in energy costs

The Service currently spends approx. £400k on energy. The contracts for both gas and electricity (let via a national framework agreement) fix the tariff at the start of each year, meaning that the increased costs on the market will not be passed onto the Service in the current financial year. However, when prices are fixed for next year, we will potentially see a significant increase in costs. We are currently reviewing the potential increase for inclusion in the budget setting exercise, however even a 25% uplift will result in an increase in excess of £100k.

In order to mitigate the risk of significant increase we use a YPO framework which fixes prices. YPO actively review the market attempting to fix prices at the most favourable rates. We also look to introduce more energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).

Given the potential cost increase this is a medium risk as whilst the increase seems certain the overall financial impact in terms of our total budget is relatively low.

Existing Risks

Of the existing risks 8 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below: -

Update since last meeting

Proposed Risk Score

1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget	No change, not due to report till 31/3/22	16	High
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	A key priority through the pandemic was the continued review programme of SSRI plans for built environment risks. As a function central to the management of risk it was safeguarded during the pandemic, given that risk sites may have needed to review their own operating procedures and policies in light of C-19 impacts upon them. REP have completed assurance (dip samples) of Level 4 PORIS sites and a formal Service level project has now commenced to further strengthen our Risk Information policy, practices, guidance and training.	Remains at 9	Medium
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities	No change, not due to report till 31/7/22	12	Medium
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	Previously discharged		
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Previously discharged		

6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	No change, not due to report till 31/7/22	9	Medium
7	Failure of key ICT systems resulting in disruption to services	No change, not due to report till 31/7/22	9	Medium
8	Loss of corporate reputation through negative publicity	No change, not due to report till 31/3/22	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	No change, not due to report till 31/3/22	9	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances	Previously discharged		Medium
11	Lack of compliance with legislation resulting in prosecution or compliance order	Previously discharged		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	In April 2021 LFRS was audited for 9 for re-certification to the ISO 14001:2015 standard and year two surveillance for continuation for ISO 45001:2018. The British Assessment Bureau carried out the audit against the 2 standards. The Service received no major or minor non-conformances with 5 opportunities for improvement identified. These have been incorporated into an improvement plan	Remains at 9	Medium
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information	No change, not due to report till 31/3/22	9	Medium

14	Delayed mobilisation, impacting on service delivery	The road speed software at NWFC has been updated, taking account of average road speed giving a more accurate ETA for appliances. Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. These changes came into effect in April and were reviewed in October. REP reviewed the last six months of data for pump delay times which has seen more improvements in times to mobilise. Mobilising configurations are being reviewed to ensure that they remain fit for purpose. LFRS are currently looking at dynamic cover software to further enhance response arrangements, this will enable appliances to be redeployed based on risk and other incident activity ensuring we have the right fire cover in place at the right time.	Remains at 9	Medium
15	High levels of staff absence due to outbreak of ebola.	Previously discharged		
16	Lack of clarity on future of FRS, leading to inertia	Previously discharged		
17	Failure of ESMCP to deliver a viable communication facility.	No change, not due to report till 31/7/22	9	Medium
18	Inability to maintain service provision in spate conditions	Previously discharged		
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	No change, not due to report till 31/7/22	9	Medium

20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	No change, not due to report till 31/3/22	9	Medium
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	<p>The organisational structure has been refined to ensure there are sufficient resources to mitigate the risk.</p> <p>This includes the introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). Furthermore, revised governance for Fire Protection has been introduced to drive reform with the introduction of dedicated Area Manager and Group Managers for Prevention and Protection.</p> <p>As a result of the BRR and from ongoing audits, Policy has been introduced to manage buildings that have been identified as requiring 'interim measures', This includes details of what NWFC, Response Emergency Planning, Protection and Service Delivery will do, including quarterly visits from Operational staff to premises in interim measures</p> <p>Operational Assurance Group are progressing the Grenfell Tower Inquiry action plan. Current activity includes ongoing training of Operational staff for responding to high rise incidents. An evacuation policy and the associated training is now being planned.</p>	Remains at 10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Two Blue Light Collaboration meetings have been held in Q2. The next steps are to present the journey so far, and proposals for the ongoing work plan, to the Collaboration Executive team. (This is particularly relevant given recent	Remains at 9	Medium

		changes at executive level and programme board level within LanCon.). Shared values will be discussed with a refresh of the MOU. Subsequently. key information will then be cascaded through management teams.		
23	Lack of leadership capacity impacting on delivery of services	No change, not due to report till 31/7/22	9	Medium
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Previously discharged		
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	Previously discharged		
26	Increase in costs of and/or lack of availability of goods and services, following Brexit	No change, not due to report till 31/7/22	12	Medium
27	Increase in costs and administration associated with changes to pensions	Following Court decisions re FF pension schemes there are two issues which have implications for the Service in terms of costs and administrative capacity:- <ul style="list-style-type: none"> • Various allowances were deemed pensionable, this being agreed with the FBU. However, as the Service has been unable to reach agreement with the FBU on backdating it has implemented a policy of 6 years backdating for relevant allowance. • The McCloud/Sergeant judgement deemed that the protection arrangements for staff transferring from the 92 scheme to the 2015 scheme was age discriminatory and therefore illegal, hence a 	16	High

		<p>national agreement has been reached to remedy this, giving personnel the option of having their benefits calculated based on the scheme they were transferred into (2015 scheme) or the scheme that they transferred from (92 or 2006 scheme)</p> <p>Both of these changes have significant implications in terms of capacity, and cost, to calculate correct benefits due, as well as backdating of pension contributions. They also significantly increase the forecast cost of pension payments due at retirement, and the costs of pensions paid to those who have already retired.</p>		
28	Discontinued or long-term malfunction in the KPI management software product (CORVU)	<p>A key member of staff continues to carry out basic maintenance to ensure KPI management software (CORVU) continues to deliver statistical data in support of performance reporting. Work is progressing within Digital Transformation, alongside a Microsoft Gold delivery partner, to develop/introduce a new technology/software that will replace the existing KPI management software. A recruitment process is underway to employ a second data analyst that can provide resilience within the department.</p>	Remains at 6	Low
29	High levels of staff absence due to pandemic.	<p>Higher levels of absence have materialised as expected. The position continues to be closely monitored to establish any impact.</p> <p>The Service has implemented a model of Hybrid Working, so staff can continue to work flexibly from home.</p> <p>The Service has promoted the availability and reimbursement of the flu vaccine to minimise</p>	Remains at 15	High

		the additional risks associated with seasonal flu. The availability of Lateral Flow Tests is promoted, and staff continue to regularly test themselves to minimise the risk of transmission of Covid-19.		
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	No change, not due to report till 31/3/22	12	Medium
31	Increase in costs associated with major Property projects due to changes in Building Regulations	No change, not due to report till 31/7/22	12	Medium

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The improvement in risk management arrangements should result in reduced business risk

Local Government (Access to Information) Act 1985

List of Background Papers

Table 2 Details of any background papers

Paper:	
Date:	
Contact:	
Reason for inclusion in Part 2 if appropriate:	

CORPORATE RISK REGISTER

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KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as pay, pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	<p>We had previously anticipated a new 4-year Spending Review being published, however due to uncertainty this has been delayed. As such 21/22 is a one-year settlement, with a four-year settlement anticipated later this year.</p> <p>Running alongside this is a Fair Funding and the prospect of moving to a 75% Business Rates Retention model, both of which will impact future funding, have also been put on hold.</p> <p>As such it is impossible to predict what future funding will look like, which is reflected in the Medium-Term Financial Strategy.</p> <p>The budget for 22/23 and beyond assumes a funding increase of 1.5% reach year, and based on assumptions contained within the MTFS shows a funding gap of up to £1.0m in subsequent years.</p> <p>The Authority holds sufficient reserves to meet this in the short to medium term, until March 2024.</p>	4	4	16	Continue to monitor position and review implications arising from Spending Review, Fair funding review and Local Retention of Business Rates. Continue to identify savings opportunities	31/03/2022	DoCS	DoCS	Corp Serv
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	<p>The gathering of operational risk information is a key activity within LFRS. The service has adopted an integrated approach to managing the risk; thereby ensuring safe systems of work for all employees.</p> <p>LFRS will undertake incident pre planning and the gathering of operational risk information to enable:</p> <ul style="list-style-type: none"> *The prevention of injury and ill health of firefighters and other emergency responders *Management and mitigation of risks in the community *Continual improvement in the provision of, accurate, relevant and timely operational information *Compliance with the legal duties on Fire and Rescue Authorities in relation to operational risk information *Compliance with formal guidance and "best practice" models; and Audit and review mechanisms. <p>Premises based risks are assessed using the Provision of Risk Information to Staff (PORIS) methodology. The risk based information is formulated via an application on the iPad and categorised from Level 1 through to Level 5 (e.g. Top Tier COMAH Sites.)</p> <p>All known high risk premises are recorded on the system.</p>	3	3	9	A key priority through the pandemic was the continued review programme of SSRI plans for built environment risks. As a function central to the management of risk it was safeguarded during the pandemic, given that risk sites may have needed to review their own operating procedures and policies in light of C-19 impacts upon them. REP have completed assurance (dip samples) of Level 4 PORIS sites and a formal Service level project has now commenced to further strengthen our Risk Information policy, practices, guidance and training.	30/11/2021	HoSD	DoSD	Serv Delivery

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			LIKELIHOOD	IMPACT	RESIDUAL RISK			BY WHOM	RISK OWNER	DIRECTORATE
KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE					ACTIONS RECOMMENDED	BY WHEN			
3 Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	LFRS has a separate contingency plan in place that is specific to industrial action. This has been reviewed and reissued to all SMT and relevant staff. The Home Office has undertaken an audit of our arrangements, with the final reported noting our arrangements.	3	4	12		Continue to monitor the position regarding national pay awards, pensions and related role map reviews.	31/07/2022	HoSDD	DoSP	Strategy & Planning
4 Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents.	2	3	6		Discharged				
5 The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6		Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	Recruitment of Whole-time and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team exists recognising the vital importance of this skill to safe and effective operations. Incident Commanders are now required to maintain a command license. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions. Through the Operational Assurance Group, Prevention, Protection and Response Task and Strategic Groups along with the Health, Safety and Environment Advisory Groups, internal and external learning are monitored and fed into the Training and Operational Review department to influence operational training.	3	3	9	Monitor effectiveness of Operational Assurance Performance Report in disseminating information. Additionally, TOR to continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training.	31/07/2022	HoTOR	DoSP	Strategy & Planning

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
7 Failure of key ICT systems resulting in disruption to services.	Separate BCP plans developed, including backup and recovery procedures, desktop exercise completed. Asset replacement policy in place, regularly reviewed. IT Firewall to prevent inappropriate access, moisture detection loop installed in SHQ plant room to identify any early threat of flooding Secondary ICT site constructed at STC to provide enhanced resilience, implementation of Active Directory to enhance security and control of user access, improved virus protection. Strategy to control use of USB devices implemented. Patch and update policy place to ensure servers and workstations are up to date with latest security developments. Wide Area Network (WAN) to all administrative and operations site. New Storage Area Network (SAN) to replicate all essential servers and data to the disaster recovery site at STC. Installed resilient link from STC to County Hall in order to maintain LCC/OCL supplied services in the event of a failure at SHQ or the link to County and also have extended the network to include the new control facility in Warrington.	3	3	9	Complete the implementation of the new WAN Start work to consolidate our 3 data centres to facilitate any potential SHQ relocation. Extend/embed the use of Cloud services where appropriate. Achieve Cyber Essentials Plus. Complete migration to windows 10 and Office 2019	31/07/2022	HoICT	HoICT	Strategy & Planning
8 Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils requirements of the Lancashire Resilience Forum emergency communications plan. Plan regularly tested during exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. This was reduced during the pandemic however a number of social media training sessions were held in 2020 via Microsoft Teams. A media management tool is used to monitor media coverage about the service and a number of platforms are used to monitor and manage social media including, if required, social media activity by stations. Communication plans for corporate projects include internal communication where appropriate to ensure staff are well informed to reduce risk of misinformation. Corporate use of social media is embedded in communication plans with policy and guidance in place. Scanning and planning function helps anticipate and plan for specific reputational risks and daily media monitoring highlights inaccurate reporting and emerging issues that that need to be addressed or corrected. This activity is communicated to members of service management team via a daily media summary email.	3	3	9	Revised image consent forms have been produced in line with GDPR however social media guidelines are yet to be updated in respect of images and personal data, as a preferred method of processing and storing images has yet to be determined by the Service. Plan to update the social media guidance anyway with a holding position in the interim. Revised media and social media training to be delivered	31/03/2022	HoCC	HoCC	People & Development

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9 Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Enhanced retained pay scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Strengthening & Improving programme in place with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us.	3	3	9	RSO's continue to embed 'core skills' workshops on stations and STC staff routinely delivering Incident Command skills across a variety of topics to RDS staff to improve competency as well as sense of feeling valued. Activity around RDS recruitment campaigns will continue to develop. Work continues between Retained Support Officers (RSOs) and HR on the recruitment of on-call staff. For those who fail the on-call course the RSO's continue to maintain contact and undertake developmental work with a view to attendance on subsequent courses. RSOs/HR additionally monitor success of on-call recruitment initiatives.	31/03/2022	HoSD	HoSD	Serv Delivery
10 Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to be able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	6	Discharged				

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			LIKELIHOOD	IMPACT	RESIDUAL RISK		BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE				ACTIONS RECOMMENDED				
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. Operational Assurance Programme. HSA3 – workplace inspection programme. Publication of risk information – Health and Safety Risk and Opportunities Register resulting in service objectives and targets, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. Safety event reporting and investigation process to facilitate learning. External audit and scrutiny through External Auditors. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. Annual SHE Report presented to CFA. LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our ISO 45001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group.	30/11/2021	HoSHE	HoSHE	People & Development

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Data encryption in place. Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority. A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Data protection has been added as a standard agenda item to several key Papers in the Service. The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.	3	3	9	Work is ongoing through a number of key projects to align many aspects of this work. This is being covered through the CorVu replacement project and the records management and intranet replacement project, both of which are Corporate Programme Board items. Amendments have been made to the district plans and intelligence profiles to assist with the planning and reporting functions, with a longer-term view of further developing this area of work. The records officer role has now drafted the associated policies to support the above workstreams and with the introduction of MS365 a more robust and secure mechanism will be in place to effectively manage data.	31/03/2022	HoServ Develop	DoSP	Strategy & Planning
14	Delayed mobilisation, impacting on service delivery.	System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. All types of roads have been assessed with an average road speed and implemented within the system, this has been loaded into road routing giving a more accurate ETA for appliances. Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves	3	3	9	Mobilising configurations are being reviewed to ensure that they remain fit for purpose. LFRS are currently looking at dynamic cover software to further enhance response arrangements, this will enable appliances to be redeployed based on risk and other incident activity ensuring we have the right fire cover in place at the right time.	30/11/2022	HoServ Develop	DoSP	Strategy & Planning

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				
16	Lack of clarity on future of FRS, leading to inertia.	<p>The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office</p> <p>The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another.</p> <p>As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:-</p> <ul style="list-style-type: none"> • remain as we are • move towards a PCC 	2	3	6	Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
17	Failure of ESMCP to deliver a viable communication facility.	<p>Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions.</p> <p>In 2019/20 the Programme awarded contracts to 2 suppliers for the creation and delivery of fixed vehicle devices for use in the fire appliances and wider fleet. The NW region is working closely with these providers to ensure the equipment meets our technical and end user requirements. In April 2020 the Programme made available equipment that has enabled LFRS to commence with the testing of coverage in order to gain the required assurances that the provision of network coverage is to contractual criteria and fit for purpose. The ESMCP Programme has consulted upon a refresh of the 2016 approved Full Business Case (FBC) and LFRS leads have engaged fully in the process in order to ensure that the proposed changes to the 2021 FBC are fully understood. Technical lead colleagues in LFRS and NWFC continue to work closely with the NFCC team to ensure that our NWFC mobilising system and internal supporting aspects such as station end equipment and vehicle mounted data terminals remain fit for purpose through and beyond ESMCP transition.</p>	3	3	9	<p>Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and integration with existing systems such as MDT. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding and key staff members such as Head of ICT are aligned to relevant work packages. Work to evaluate transition planning remains ongoing and includes aspects such as dual device (Airwave and ESMCP) fitting within fire engines, device convergence opportunities, coverage testing and early trials and pilot of the voice product.</p>	31/07/2022	DoSP	DoSP	Strategy & Planning

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
18	Inability to maintain service provision in spate conditions	<p>Robust Business Continuity arrangements The published 2017-2022 LFRS Integrated Risk Management Plan recognises the impacts of wide area flooding (P2 increasing weather related events) as does our SOR for 2017. Ensure ESMCP specification recognises communication needs identified Training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support has been delivered, testing via an exercise to be completed</p> <p>LFRS vehicle fleet amended with multi-purpose (4x4) vehicles suitable for use in wide area flooding placed within the fleet, further purchases to follow in 2017/18 to extend the provision to 10.</p> <p>The enhancement of staff PPE with provision of flood suits and associated training is complete.</p> <p>The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas.</p>	3	2	6	Discharged				
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	<p>ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems.</p> <p>ICT Strategy in place and includes work stream to improve user experience. BPIP consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users</p> <p>CPB consider outcomes from BPIP</p> <p>Digital Transformation created to address development oppriunities within the Service. This enabkes ICT department to focus on core infrastructure and increase development capacity once fully staffed.</p>	3	3	9	<p>Work has commenced on upgrading the Exchange infrastructure, and is due completion in September. Complete migration to windows 10 and Office 2019</p> <p>They have continued to develop bespoke packages, such as Assurance Monitoring System. Review and deliver priorities as defined by BPIP, CPB & Exec board.</p>	31/07/2022	HoICT	DoSP	Strategy & Planning

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20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The CSS software application (Vector Incident Command) we run on our command units to manage the incident command system, went into administration and the Intellectual Property Rights (IPR) for the software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. Telent have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. However developments have been very slow	3	3	9	A new project has now commenced to deliver a new command software solution and work is on-going to develop the specifications to move the Service forward towards procurement.	31/03/2022	HoServ Develop	DoSP	Strategy & Planning
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	<p>Understanding the range of hazards present in the high rise built environment continues to evolve with new and emerging risks continually being identified both locally and nationally. The latter are shared by the NFCC Protection Policy Reform Unit (incorporating the Building Safety Team), Home Office and MHCLG. Intelligence which in turn steers targeting and inspection activity. Albeit with restrictions on LFRS' ability to fully manage risk in this area due to limitations imposed by current legislation.</p> <p>National policy reform is underway, but still has considerable distance to travel, involving revised Building Regulations, amendments to the Fire Safety Order in 2012 (giving FRS enforcement powers for cladding and flat front doors) and the new Building Safety Bill in 2022 (making FRS a joint regulator with HSE and Building Controls).</p> <p>In 2020/21 (until Dec) LFRS Inspectors are undertaking the MHCLG commissioned 'Building Risk Review' of all 75 High Rise residential premises in Lancashire to identify if any hazards exist beyond the use of ACM cladding. Such hazards include other unsatisfactory cladding systems, combustible balconies, and compartmentation breaches etc .</p> <p>All High Rise owners and managers have been written to signposting the Government Cladding Remediation Fund.</p>	2	5	10	<p>The organisational structure has been refined to ensure there are sufficient resources to mitigate the risk. This includes the introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). Furthermore, revised governance for Fire Protection has been introduced to drive reform with the introduction of dedicated AM for P&P and GMs for Prevention and Protection.</p> <p>As a result of the BRR and from ongoing audits, Policy has been introduced to manage buildings that have been identified as requiring 'interim measures', This includes details of what NWFC, REP, Protection and Service Delivery will do, including quarterly visits from Operational staff to premises in interim measures.</p> <p>OAG are progressing the GTI action plan, including ongoing training of Operational staff for responding to high rise incidents. An evacuation policy and the associated training is now being planned.</p>	30/11/2022	HoServ Develop	DoSP	Strategy & Planning

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
22 Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NWS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. Statement of Intent agreed and signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary External training for both organisations Senior Management Teams delivered by Shares Services Architects. Work areas considered and a 32 item collaboration log has been created. Blue Light Collaboration Board has been extended to NWS and both Programme and Sponsor level attendance at meetings is from the 3 blue light services. During the pandemic, collaboration efforts were focused on supporting the NHS, with blue light services all working effectively to deliver or support; mass vaccination sites, logistics for PPE, movement of bodies, temporary mortuary, face fit testing.	3	3	9	3 core projects to be progressed to scope report status:- • multi officer role • response arrangements • public order training at Washington hall Further roll out of EMR is dependent upon outcome of national pay negotiation Two Blue Light Collaboration meetings have been held in Q2. The next steps are to present the journey so far, and proposals for the ongoing work plan, to the Collaboration Executive team. Shared values will be discussed with a refresh of the MOU. Subsequently, key information will then be cascaded through management teams. There have been recent changes at executive level and programme board level within LanCon.	30/11/2022	HoSD	DoSP	Strategy & Planning
23 Lack of leadership capacity impacting on delivery of services	Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent A more formal approach to Talent Management has been introduced with feedback to be given and opportunities for development identified through a lifetime/career conversation Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc. Coaching and mentoring system introduced Action Learning Sets introduced Leadership Conferences delivered Promotion Board in place with clear development and promotion pathways established for operational staff	3	3	9	The Talent Management workshops will be relaunched at the end of July. Leadership development programmes continue to be delivered despite Covid-19. Crew Manager Promotion Board currently advertised and Middle Manager promotion Board will be advertised September 2021. Future workforce needs have been reviewed as part of the development of the Workforce Plan.	31/07/2022	HoHR	DoPD	People & Development

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KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	1	3	3	Discharged				
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	The case looked at the applicability of Working Time in connection with the Belgian Fire Service and their version of On Call Controls. Legal opinion is being sought in connection with the case to identify its impact in the UK. On more detailed examination, the case was not directly applicable to the UK, the issue in question was also resolved before further consideration by the Belgium Courts.	1	5	5	Discharged				
26	Increase in costs of and/or lack of availability of goods and services, following Brexit	We are continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. If costs increase significantly in the short term we will need to drawdown reserves in order to deliver a balanced budget. We have not seen any evidence that the availability of essential goods/services has been affected at this moment in time.	3	4	12	We have started to see an increase in the price of construction materials in the last few months, as well as delays in obtaining them. With the contractor on our Workshop/BA school project awaiting some metal stud partitioning to finish one section of the building internally, this is indicative of the supply market at the present time. We continue to monitor impact, and will consider the need to increase the contingency on construction projects to provide scope to meet potential cost increases.	31/07/2022	HoProc	DoCS	Corporate Services

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27	Increase in costs and administration associated with changes to pensions	<p>Following Court decisions re FF pension schemes there are two issues which have implications for the Service in terms of costs and administrative capacity: -</p> <ul style="list-style-type: none"> •Various allowances were deemed pensionable, this being agreed with the FBU. However, as the Service has been unable to reach agreement with the FBU on backdating it has implemented a policy of 6 years backdating for relevant allowances from 1/6/21 •The McCloud/Sergeant judgement deemed that the protection arrangements for staff transferring from the 1992 scheme to the 2015 scheme was age discriminatory and therefore illegal, the Governments timescale for remedy is October 2023, hence an agreement has been reached between FBU and LGA to allow a current solution pending the final arrangements called "immediate detriment". This remedy gives personnel the option of having their benefits calculated based on the scheme they were transferred into (2015 scheme) or the scheme that they transferred from (92 or 2006 scheme) <p>Both of these changes have significant implications in terms of capacity, and cost, to calculate the correct benefits due, as well as backdating of pension contributions. They also significantly increase the forecast cost of pension payments due at retirement, and the costs of pensions paid to those who have already retired.</p>	4	4	16	<p>We have actioned the backdating of allowances and our amending contributions and benefits where applicable.</p> <p>We are reviewing the Immediate Detriment remedy</p> <p>We have set up our own Pension Team to support these exercises</p> <p>We are liaising with our Pension Provider on costs and timescales for undertaking the work</p> <p>We are liaising with Govt about meeting the costs of the administrative burden (new burdens) and the additional net pension costs</p>	31/03/2022	DoPD	DoPD	People & Development
28	Discontinued or long term malfunction in the KPI management software product (CORVU)	<p>Close contract management with the provider to ensure that the product remains functional and fit for purpose. Staff member will lead responsibility is highly trained in the product and can carryout some maintenance in order to support functionality. Some alternative work arounds identified that will be resource intensive and may not provide the existing quality of data and subsequent analysis.</p>	3	2	6	<p>Continue to review the systems utilised in the sector and comparable users in order to identify a replacement product in a timely manner. Carryout a review of alternative work solutions in order to ensure that CFA Performance reports and Service Delivery District level reports remain deliverable. Priorities the upskilling of the new GIS / analyst to reduce the single point of failure risk.</p>	30/11/2022	HoSDD	DoSP	Strategy and Planning

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29	High levels of staff absence due to pandemic.	<p>The pandemic BCP was implemented from March 2020 in response to Covid-19. IMT and various sub-groups were implemented to manage impacts including – enhanced monitoring of staff absence levels, notification processes, H & S guidance, appliance crewing models, increased home and remote working, re-defined core activities and support to LRF work streams. OHU department to provide advice to managers/staff. On-going liaison with LRF/Emergency Planning Depts.</p> <p>Staff absence levels peaked as expected during mid-January, following the Christmas / New Year relaxation of lockdown arrangements. LFRS accessed a provision of Lateral Flow Tests and began a pilot rollout across a number of locations aimed at early identification and isolation of asymptomatic cases of C-19. An ambitious rollout plan followed which resulted in LFT provision being made available in a self-sustaining manner across all 39 fire stations, Service Headquarters, Service Training Centre.</p>	5	5	25	<p>Interim BCP debrief conducted internally to capture learning from the first few months of the pandemic. Further internal and LRF debriefs to be progressed once BCP arrangements stood down. Higher levels of absence have materialised as expected, the position continues to be closely monitored to establish any impact. The Service has implemented a model of Hybrid Working, so staff can continue to work flexibly from home. The Service has promoted the availability and reimbursement of the flu vaccine to minimise the additional risks associated with seasonal flu. The availability of Lateral Flow Tests is promoted and staff continue to regularly test themselves to minimise the risk of transmission of Covid-19.</p>	30/11/2021	HoSDD	DoSP	Strategy and Planning

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
30 Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	<p>A new Fire Standard for Emergency Response Driver Training has been published. This requires more training for new drivers within the sector, requiring: -</p> <ul style="list-style-type: none"> • Current instructors added to a register and new instructors will need to complete a formal pathway; • A 10-day course with an element of night driving for all new appliance drivers; • A 10 or 15-day Initial Response course for flexi-officers depending on current competency in response driving; • Longer courses for special appliances which are not LGV. <p>All of these will see a marked increase in the length of a driving course. In terms of the initial driving course the extension of time from 5 days to 10 days not only increase instructor time, but may lead to difficulties in the On-Call service as personnel will not be able to take the time away from Primary Employment to undertake training leading to a decline in On-Call appliance availability.</p>	3	4	12	<p>All of these will see a marked increase in the length of a driving course, which may require additional instructor resource and we are currently reviewing the impact on driving instructor and hence the need for additional capacity within the Team.</p> <p>As this only applies to new drivers the impact will be felt gradually over a period of time as personnel leave the service and are replaced. This will be more significant in the on-call service as turnover rates are much higher. We will monitor the impact in the on-call service over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances</p> <p>This risk may increase over time as personnel leave the service and new entrants are required to comply with the new standard</p>	31/03/2022	HoTOR	DoSD	Serv Delivery
31 Increase in costs associated with major Property projects due to changes in Building Regulations	<p>A proposed upgrade of the Building Regulations was published as draft legislation in January 2021, and is subject to an on-going consultation. The construction industry was expecting a significant increase in the environmental standards for new buildings with a zero-carbon requirement anticipated, this has been confirmed in the draft legislation. However, the draft legislations also applies to existing buildings, whereby there will be a requirement to substantially upgrade the environmental credentials of existing buildings when a major refurbishment is undertaken.</p> <p>This will potentially see significant increase in upfront costs with more energy efficient heating/insulation being required, such as air-source heat pumps, PV panels, triple glazing etc, all of which are dearer than our current standards.</p> <p>Whilst contingences are included in major contracts these may not be sufficient to meet future requirements</p>	3	4	12	<p>In order to mitigate this we will need to account for this in cost estimates for all major property projects, and increase the contingency on projects to provide scope to meet potential cost increases.</p> <p>Given the scale of the Authorities Capital programme over the next 5 years this is considered a high risk at the present time, as if the legislation is implemented it will increase costs significantly on all projects commencing after June 2022, and this was not allowed for in the initial budget estimates.</p>	31/03/2022	HoTOR	DoSD	Serv Delivery
				31					

CORPORATE RISK REGISTER

Nov 21

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
HIGH				3		31/03/2022	8		
MEDIUM				18		31/07/2021	0		
MEDIUM/LOW				7		30/11/2021	3		
LOW				3	Discharged		9		
				<u>31</u>			20		

Scores

Likelihood

- 5 Certain, see next sheet
- 4 Very Likely, see next sheet
- 3 Likely, see next sheet
- 2 Unlikely, see next sheet
- 1 Rare, see next sheet

Impact

- Minor, see next sheet
- Noticeable, see next sheet
- Significant, see next sheet
- Critical, see next sheet
- Catastrophic, see next sheet

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 30 November 2021

STRATEGIC ASSESMENT OF RISK 2021/22 (Appendix 1 refers)

Contact for further information – Keith Mattinson – Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

Executive Summary

The Planning Committee considered the Authority's Strategic Assessment of Risk (SAoR) at its meeting on 15 November. Given this links to our risk management processes and the corporate risk register the report presented to Planning Committee is attached as appendix 1.

Recommendation(s)

The Committee is asked to note and endorse the Strategic Assessment of Risk

Information

The Strategic Assessment of Risk (SAoR) is an integral part of the Service's Risk Management Framework and captures the high-level risks that the Service must prepare for and respond to. It forms a key part of our planning process culminating in the development of our Community Risk Management Plan (CRMP) and our Annual Service Plan.

The SAoR was considered by the Planning Committee at its meeting on 15 November, who noted and endorsed its contents. It is presented today to give Members of the Audit Committee an overview of the strategic operational risks facing the Authority.

Business Risk

The SAoR is an integral part of the Service's Risk Management Framework and captures the high-level risks that the Service must prepare for and respond to.

Environmental Impact

None

Equality and Diversity Implications

None

HR Implications

None

Financial Implications

None

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

Table 2 Details of any background papers

Paper:	
Date:	
Contact:	
Reason for inclusion in Part 2 if appropriate:	

LANCASHIRE COMBINED FIRE AUTHORITY**PLANNING COMMITTEE**

Meeting to be held on 15 November 2021

STRATEGIC ASSESMENT OF RISK 2021/22

Contact for further information: Assistant Chief Fire Officer Ben Norman
Telephone: 01772 866801

Table 1 Executive Summary and Recommendations

Executive Summary

This year's Strategic Assessment of Risk (SAoR), which was first published in 2016, has been refreshed for the year 2021/22 and utilises data from our Incident Recording System which has helped us identify our highest risk activities/incidents.

The SAoR is branded to inform and support the drafting of the Community Risk Management Plan (CRMP) 2022/27 and the 2022/23 Annual Service Plan, by capturing the dynamic picture of the changing risk in Lancashire.

Maintaining a clear and current understanding of the risks that affect Lancashire's communities underpins everything we do – driving both our governance and planning arrangements.

Recommendation(s)

The Planning Committee is asked to note and endorse the 2021/22 SAoR.

Background**Strategic Assessment of Risk**

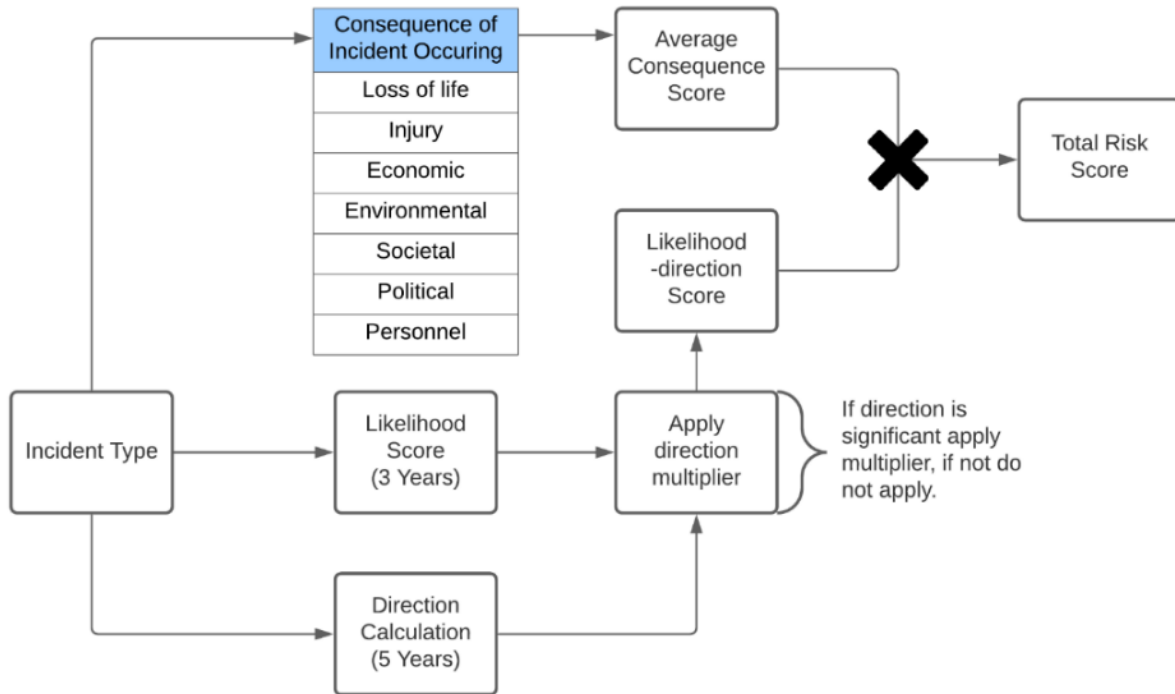
Risk in Lancashire will always remain dynamic; it changes over time, differs by area and demographic, and needs different interventions to reduce the likelihood of the risk occurring or to lessen its consequences. We identify these risks in our SAoR which is refreshed annually and is also informed by the Lancashire Resilience Forum Community Risk Register. Through our risk management framework we continually assess changing risk and prioritise our response framework. A wider consultation has also taken place, involving District Councils, LCC and Lancashire Constabulary, in order to gain a more complete collaborative picture of the perceived risk from the viewpoint of all organisations.

This year's document again builds on previous iterations as we seek to continually improve our risk management processes and utilises data from our Incident Recording System which has helped us identify our highest risk activities/incidents.

The Strategic Assessment of Risk reflects the knowledge and experience of a variety of specialist departments and is consolidated each summer to allow for departmental plans to be produced and for our Service's annual planning day. The document will support the publication of the draft Community Risk Management Plan (CRMP) 2022/27 and moreover the draft Annual Service Plan 2022/23.

The 201/22 SAoR further builds on previous versions of the annual risk assessment methodology whereby each of the 32 incident types such as domestic fires, flooding and road traffic collisions have been quantified using a likelihood and consequence score.

The likelihood element looks at the frequency of the incident type occurring within Lancashire utilising the incident data for the previous 3 years. The consequence score is determined by an average derived from seven categories, these being loss of life, injury, economic, environmental, societal, political and impact upon staff, the matrix to define the SAoR is displayed below:



Maintaining a clear and current understanding of the risks that affect Lancashire’s communities underpins everything we do – driving both our governance and planning arrangements.

Business Risk

The SAoR is an integral part of the Service’s Risk Management Framework and captures the high-level risks that the Service must prepare for and respond to. It forms a key part of our planning process culminating in the development of our Annual Service Plan.

Sustainability or Environmental Impact

None directly attributed to the production of the SAoR.

Equality and Diversity Implications

The Annual Service Plan and Strategic Assessment of Risk have been produced in accordance with accessibility guidelines and have Equality Impact Assessments.

HR Implications

No implications

Financial Implications

The Strategic Assessment of Risk will not be printed and will therefore incur no additional costs.

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

Table 2 Details of any background papers

Paper:	
Date:	
Contact:	Ben Norman, ACFO
Reason for inclusion in Part 2 if appropriate:	

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