

# Public Document Pack

## Lancashire Combined Fire Authority Audit Committee

**Tuesday, 28 March 2023 in Main Conference Room, Service Headquarters, Fulwood 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**

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 - 20)**
4. **Internal Audit Monitoring Report (Pages 21 - 32)**
5. **Internal Audit Plan 2023/24 (Pages 33 - 48)**
6. **External Audit - Auditors Annual Report 2021/22 (Pages 49 - 78)**
7. **Risk Management (Pages 79 - 100)**
8. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **25 July 2023** in the Main Conference Room, Service Headquarters, Fulwood.

Further meetings are: scheduled for 26 September 2023 and 28 November 2023  
proposed for 28 March 2024

9. **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.

10. **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**

11. **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.

## Lancashire Combined Fire Authority

### Audit Committee

Tuesday, 29 November 2022, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

#### MINUTES

<u>PRESENT:</u>	
<u>Councillors</u>	
J Shedwick (Chair)	
N Hennessy (Vice-Chair)	
S Clarke	
M Dad	
F Jackson	
A Kay	
J Singleton	

<u>Officers</u>
K Mattinson, Director of Corporate Services (LFRS) J Meadows, Head of Finance (LFRS) D Brooks, Principal Member Services Officer (LFRS) L Barr, Member Services Officer (LFRS)
<u>In attendance</u>
G Jones, External Audit, Grant Thornton H Stevenson, External Audit, Grant Thornton A Dalecki, Internal Audit, Lancashire County Council L Rix, Internal Audit, Lancashire County Council K Wilkie, Fire Brigades Union

11/22	<u>APOLOGIES FOR ABSENCE</u>
	None received.
12/22	<u>DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS</u>
	None received.
13/22	<u>MINUTES OF THE PREVIOUS MEETING</u>
	<u>RESOLVED:</u> - That the Minutes of the last meeting held on 05 July 2022 be confirmed as a correct record and signed by the Chair.

14/22	<u>EXTERNAL AUDIT - LETTER OF REPRESENTATION</u>
	<p>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.</p> <p>The Treasurer confirmed he would sign the letter, as there were no issues which he felt required disclosure.</p> <p><u>RESOLVED</u>: - That the Audit Committee authorised the signing of the letter by the Chair of the Committee.</p>
15/22	<u>EXTERNAL AUDIT - AUDIT FINDINGS REPORT</u>
	<p>Georgia Jones, Key Audit Partner presented the Audit Findings report to the Committee.</p> <p>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.</p> <p>Georgia Jones 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 listed below:-</p> <ul style="list-style-type: none"> <li>• responses from the pension fund auditor to gain assurance on underpinning controls and supporting data for the pension fund net liability;</li> <li>• receipt of management representation letter;</li> <li>• review of the final set of financial statements; and</li> <li>• final quality procedures.</li> </ul> <p>There were two recommendations relating to Oracle password configuration set out on page 20 of the report (page 38 of the agenda pack), and the Self-authorisation of journals set out on page 21 of the report (page 39 of the agenda pack: -</p> <ol style="list-style-type: none"> <li>1. "We identified a weakness in Oracle password configuration. The password length is set to 6 characters and does not include a minimum password length of 8 characters as per leading practices."</li> </ol> <p>Members were informed that it related to the existing finance system which was being replaced in December and, as such it was not proposed to amend this within the existing system.</p> <ol style="list-style-type: none"> <li>2. "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</li> </ol>

internal controls, we recommend the authority establishes an authorisation control to reduce the risk of financial reporting fraud and /or error in future."

The response to this was consistent with previous responses "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, we do not feel that introducing further controls is practical or proportionate to the risk."

There were several disclosures and misclassification changes required, as set out on page 22 (page 40 of the agenda pack), and three adjusted misstatements, as set out on page 23 (page 41 of the agenda pack), the majority of which were identified by the Authority during the audit process.

There was one adjusted misstatement as set out on page 23 (page 41 of the agenda pack), which related to the treatment of potential future costs of claims relating to pensionable allowances, and specifically treating it as a creditor as opposed to a provision. Given it was below the Service's materiality threshold, the Treasurer had not amended the accounts to reflect that.

Georgia Jones drew the Members attention to Page 36 which detailed independence and ethics which disclosed the following:

"The Authority took on a Chief Accountant on April 18, 2022. In May the Authority advised Grant Thornton that this individual was registered as a benched contractor for Grant Thornton. After Internal consultation, it was determined that as the individual was considered an officer of the Authority, this would be determined as a breach of FRC 2.53.

We can confirm that as a benched contractor the individual has not worked on any assignments for Grant Thornton and the audit team have not had any communication with them as part of the delivery of the audit. We further mitigated any threat however by removal of the individual from the bench, effective July 13 2022.

We do not consider that there has been a compromise to independence. However, this is a breach of FRC 2.53 and therefore reportable to the Financial Reporting Council (FRC).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard as we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies."

	<p>An audit fee of £40.8k had been agreed as part of the Audit Plan. The final fee would be confirmed once the audit was complete.</p> <p>The Director of Corporate Services advised that the deadline for the accountants approving the audit had been brought forward for next year and that he felt the revised deadline would be extremely challenging for the Authority. He emphasised that, overall, it was a positive report given that it had been a challenging year, as it would be next year.</p> <p>The Chairman agreed that the report was very positive and thanked Georgia Jones for being forthright.</p> <p><u>RESOLVED:</u> - That the Committee: -</p> <ul style="list-style-type: none"> <li>i) Noted and endorsed the matters raised in the report;</li> <li>ii) Noted the anticipated “unmodified” audit opinion on the financial statements;</li> <li>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.</li> </ul>
16/22	<p><u>INTERNAL AUDIT MONITORING REPORT</u></p>
	<p>The Internal Auditors produced 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 09 November 2022 was presented by Laura Rix.</p> <p>To date, 18.25 days had been spent this financial year on completion of the 2022/23 plan, equating to 26% of the total planned audit activity of 70 days. The table in the report showed the current status of all audit work.</p> <p>No areas of concern came to attention in conducting the assurance work to date that required bringing to the attention of committee members.</p> <p><u>RESOLVED:</u> - That the Committee noted and endorsed the report.</p>
17/22	<p><u>STATEMENT OF ACCOUNTS 2021/22</u></p>
	<p>The Chair welcomed the Service’s new Head of Finance, Jacquie Meadows to the meeting.</p> <p>The Director of Corporate Services presented the report to the meeting. The report presented the Statement of accounts for the financial year ended 31 March 2022 which included the Authority’s 25% share of the North West Fire Control accounts. The Committee considered the Statement of Accounts as presented.</p> <p>The following sections summarised the details contained within the core statements:-</p>

## Narrative Report

The report set out the financial context in which the Combined Fire Authority operated and provided an overview of the financial year 2021/22 as well as details of future plans.

## Comprehensive Income & Expenditure Account

The statement confirmed the accounting cost in the year of providing services. It was a summary of the resources that had been generated and consumed in providing services and managing the Authority during the last year. It included all day-to-day expenses and related income on an accrual's basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The main points to note were:-

	2021/22	2020/21	
Service Delivery	30,391	32,645	The cost-of-Service Delivery showed a decrease when compared with the previous year, due to the impact of the ISAS19 pension accounting adjustment which was partly offset by Prevention & Protection moving to the Service Delivery Directorate from the Strategy & Planning Directorate.
Strategy & Planning	10,928	12,415	The cost of Strategy & Planning showed a decrease when compared with the previous year, due to Prevention & Protection moving from the Strategy & Planning Directorate to the Service Delivery Directorate.
People & Development	1,920	1,611	The cost of People & Development was broadly comparable with last year.
Corporate Services	4,653	4,821	The cost of Corporate Services was broadly comparable with last year.
Fire Fighters Pensions	1,239	1,285	These were the ongoing pension costs relating to previous ill health or injury retirements, which had remained at a similar level to the previous year.
Overheads	1,217	1,574	This heading included all capital financing charges, refunds made in respect of the LGPS surplus, and depreciation and impairment charges made in respect of assets.
Gain On Disposals of Fixed Assets	(3)	(17)	This related to the sale of surplus vehicles.
Interest Payable	1,408	1,439	This heading included the interest

			payable in respect of current loans, and the interest charges associated with the PFI scheme and finance leases, which were in line with the previous year's charges.
Pension Interest Cost and Expected Return on Assets	17,648	18,207	This related to adjustments required under IAS 19 requirements and was designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme was unfunded there was no increase in asset value to offset the increase in scheme costs resulting in the charge to the Income and Expenditure Account.
Interest Receivable	(206)	(253)	This was broadly comparable with last year.
Council Tax*	(33,160)	(31,055)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities.
Revenue Support Grant	(8,570)	(8,523)	The level of Revenue Support Grant allocated to the Authority by the Government.
Non-Domestic Rates Redistribution*	(14,786)	(13,565)	Amounts raised through non-domestic rates, including the Authority's element of business rates collection fund surplus/deficit accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part of the localisation of business rates. The change between years reflected the changes in the collection fund for this.
Business rates S31 grant	(1,360)	(1,284)	This grant was allocated to the Authority by the Government and related to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Business rates additional reliefs S31 grant	(1,101)	(1,925)	The balances related to additional business rates relief funding.
Local Taxation Income guarantee	(4)	(132)	This grant was allocated to the Authority by the Government and offset losses in local taxation that were attributable to the pandemic.
Capital grant	(253)	(253)	This grant was the Authority's 25%



income			share of the capital grant received by NWFC.
Covid 19 S31 grant	-	(1,346)	This reflected the S31 grant received during 2020/21.
Deficit On the Provision of Services	<b>9,962</b>	15,643	The overall deficit showed that expenditure incurred exceeded income generated over the last twelve months and was measured in terms of the resources consumed and generated. However, this included a number of accounting entries which did not impact on council tax levels, most notably those relating to the pension's schemes. As such this did not show the actual surplus when comparing spend against council tax.
(Surplus)/Deficit on Revaluation of Non-Current Assets	(10,610)	(2,523)	This was a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value would be achieved until such time as the asset was disposed of.
Actuarial (Gains)/ Losses on Pensions Assets and Liabilities	(13,400)	61,444	This was a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities were calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.
Total Comprehensive Income and Expenditure	<b>(14,047)</b>	74,564	This showed the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

In order to aid understanding the following table showed the comparison between the revenue budget position, as reported to Resources Committee, and the Total Comprehensive Income and Expenditure figure set out above:-

	£m
Revenue Outturn	(0.332)
NWFC Outturn	(0.073)
Accounting for pensions under IAS19	9.130
Revenue Contributions to Capital Outlay	(2.373)
Adjustments between accounting basis and funding basis under regulations	3.610
Deficit on the provision of services	<b>9.962</b>
Surplus on revaluation of non-current assets	(10.610)

Actuarial loss on pensions assets and liabilities	13.400
<b>Total Comprehensive Income and Expenditure</b>	<b>14.047</b>

### Movement in Reserves Statement

This statement showed the movement in the year on the different reserves held by the authority, analysed into:-

- Usable Reserves – those that the Authority might use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and statutory limitations on their use.
- Unusable Reserves – those included reserves that held unrealised gains and losses (e.g., the revaluation reserve), where amounts would only become available to provide services if the assets were sold; and reserves that held timing differences between accounting basis and funding basis under regulations.

The main points were:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	36,979	(804,713)	(767,734)	
Deficit on the provision of service	(9,962)	-	(9,962)	This showed the true economic cost of providing the Authority's services, more details of which were shown in the Comprehensive Income and Expenditure Statement. As set out earlier it was not accounted for on the same basis as the Service account for council tax and hence did not tie into the actual revenue position set out in the Year End Revenue Outturn report.
Other Comprehensive Income and Expenditure	-	24,009	24,009	This related to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities.
Charges for depreciation	4,863	(4,863)		This showed the costs charged to the

	and impairment of non-current assets				revenue budget for the utilisation of fixed assets in the year.
	Amortisation of intangible assets	158	(158)		This showed the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year.
	Statutory provision for the repayment of debt	(458)	458	-	This was the charge made against the revenue budget to reduce future borrowing requirements, and included an element relating to debt associated with PFI and finance leases
	Capital expenditure charged against General Fund Balance	(2,373)	2,373	-	This was the level of capital expenditure which had been funded from contributions from the 2021/22 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
	Amount by which the Code and the statutory pension costs differ	9,130	(9,130)		This showed the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
	Amount by which collection fund income in the comprehensive income and expenditure statement is different from	(1,585)	1,585	-	This showed the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the

collection fund income calculated for the year in accordance with statutory requirements				amount collection authorities have actually collected on the Service's behalf in the year, i.e., the difference between the assumed collection rate and the actual collection rate.
Net increase / decrease before transfers to earmarked reserves	(228)	14,275	14,047	This showed the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to) / from capital funding reserves	(977)	977	-	These represented the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(102)	(102)	-	This represented the movements on the Accumulated Absences Adjustment Account, which reflected the decrease in the amount of leave owed to staff at the year end.
Increase / Decrease in the year	(1,306)	15,351	14,047	This was the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which did not affect council tax and any transfers to/from earmarked reserves and tied into the overall change in Usable reserves included in the Year

				End Usable Reserves and Provisions Outturn report.
Balance at 31 March	<b>35,673</b>	<b>(789,359)</b>	<b>(753,686)</b>	These were the final reserve balances which were reflected in the balance sheet in the statement of accounts, and which tied into the values shown in the Year End Usable Reserves and Provisions Outturn report.

### Balance Sheet

The Balance Sheet showed the value as the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) were matched by the reserves held by the Authority.

The main points to note were:-

	2021/22	2020/21	
<b>Long Term Assets</b>			
Property, Plant & Equipment	108,637	99,538	The value of property, plant & equipment had increased by £9m, due to the level of capital expenditure (£3m as shown in the Year End Capital Outturn report) and the net revaluation gains of £11m compared with depreciation charges of £5m.
Intangible assets	523	639	Intangible assets were assets which did not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	5,000	10,000	The Authority held one investment with Local Government bodies which was classed as long-term investments, i.e., over 12 months in duration, as shown in the Year End Treasury Management Outturn report.
<b>Current Assets</b>			
Inventories	257	279	The value of stock held had remained broadly in line with last year.
Short-Term	10,000	5,000	The Authority held two investments

Investments			with Local Government bodies which were classed as short-term investments, i.e., under 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Short-Term Debtors*	12,888	10,885	Debtors represented monies owed to the Authority on 31st March 2021. In order to improve cash flow this figure should be as low as possible; however, it was inevitable that there would always be a balance on this due to the timing of invoices and the debt recovery process. The main debt related to Council Tax, Business Rates (which represented our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due. The level of debtors at the year-end had increased reflecting the increase in both of these.
Cash & Cash Equivalents	17,896	22,603	This represented the cash book balance at the year end, which was held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report. The reduction reflected the investment in fixed assets, the increase in debtors (referred to earlier) and a reduction in creditors (referred to below).
<b>Current Liabilities</b>			
Other Short-Term Liabilities	(492)	(452)	This related to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short-term element of finance leases.
Short-Term Creditors*	(9,296)	(12,621)	This figure represented the amount of money the Service owed to other bodies at 31st March 2022. The overall balance had reduced mainly due to the payment of costs associated with the pensionability of allowances.
<b>Long Term Liabilities</b>			
Provisions*	(1,447)	(1,398)	This showed the outstanding

			provisions, relating to the potential cost of outstanding insurance claims, which would have to be met by the Authority in future years, the remaining balance of the Authorities share of billing authorities' business rates outstanding appeals.
Long-Term Borrowing	(2,000)	(2,000)	This represented the amount of long-term debt that the Authority held which did not mature within the next 12 months. The balance of £2.0m was due to mature between 2035-2037.
Other Long-Term Liabilities	(895,652)	(900,205)	The majority of this related to adjustments required under IAS 19 and showed the extent to which the authority's liability to pay pension benefits in the future exceeded the value of assets held. This was particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £883m. This also included liabilities covering the remainder of the contract associated with the two PFI contracts; <ul style="list-style-type: none"> <li>• PFF Lancashire Ltd for the provision of two fire stations,</li> <li>• Fire and Rescue NW Ltd for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria, and Merseyside.</li> </ul> In addition, this also included liabilities relating to an outstanding finance lease.
<b>Total Assets Less Liabilities</b>	<b>(753,686)</b>	<b>(767,732)</b>	
<b>Financed By Usable Reserves:</b>			
Revenue Reserves	(16,278)	(17,233)	This was the level of reserves that the Authority currently held which could be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their

			use. It included the general reserves as well as any earmarked reserves. The reduction in year represented the usage of Covid and Business Rate Relief grants, as referred to in the Year End Revenue Outturn report, and the Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,672)	(17,967)	This reserve held £18.0m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant Unapplied	(40)	(101)	The capital grant unapplied related to the Authority's share of the NWFC end of year balances.
Usable Capital Receipts Reserve	(1,683)	(1,680)	This represented the proceeds from the sale of fixed assets which was used to finance capital investment. The increase in value representing the sale proceeds for vehicles, as referred to in the Year End Usable Reserves and Provisions Outturn reports.
<b>Unusable Reserves:</b>			
Revaluation Reserve	(56,221)	(47,400)	This account held unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that had taken place since 1 April 2007 were reflected in this reserve. These reserves were matched by fixed assets within the Balance Sheet and were not resources available to spend.
Capital Adjustment Account	(39,469)	(38,893)	The Capital Adjustment Account provided a balancing mechanism between the different rates at which assets were depreciated under the Code and were financed through the capital controls system. These reserves were matched by fixed assets within the Balance Sheet and were not resources available to spend.
Pensions Reserve	883,434	887,704	This related to adjustments required under IAS 19, and was a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
Collection Fund Adjustment	776	2,361	This account reflected the net effect of the adjustments required to show the service's share of each billing



Account*			authority's council tax and business rates debtors and creditors at year end.
Accumulated Absences Adjustment Account	839	941	This account represented the value of leave accrued at the year end, but which had not yet been taken, and hence had been carried forward into the new financial year. However, given that the leave year for Fire Fighters ran from January to December leave entitlement was calculated on a pro-rata basis which could distort the overall position. The reduction reflected the increase in leave taken.
	<b>753,686</b>	767,732	

The Director of Corporate Services explained that the Service's net worth was in excess of £100m (excluding the firefighter pension scheme liability).

### Cash Flow Statement

The cash flow statement showed the changes in cash and cash equivalents of the Authority during the reporting period. The statement showed how the Authority generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The main points to note were:-

	2021/22	2020/21	
Net Cash Flows Arising from Operating Activities	1,162	3,388	This showed the level of net cash generated by revenue activities, i.e., the level of income received in the form of grant, council tax etc., offset by payments made in respect of employee costs and non-pay costs etc.
Investing Activities	(4,032)	(6,874)	This showed the cash outflows which had been made for resources that were intended to contribute to the Authority's future service delivery, such as expenditure on capital assets.
Financing Activities	(1,837)	(1,833)	This related to the repayment of long-term debt, including that associated with PFI and finance leases.
Net increase/(decrease) in cash and cash equivalents	<b>(4,707)</b>	(5,319)	This showed the movement in the net cash immediately available within the Authority in a call account with LCC.

## **Signing of the Draft Statement of Accounts**

The unaudited Statement of Accounts were signed by the Treasurer on 5 August 2022 to certify that they presented a true and fair view of the financial position of the Authority as at 31 March 2022.

Subsequently, the full set of accounts were submitted for audit to Grant Thornton.

The Statement of Accounts had now been updated to reflect the changes identified during the audit and had been included in the revised statement of accounts.

## **Approval and Signing of the Accounts**

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.

County Councillor Shedwick highlighted that the report showed that a number of personnel had received pay and benefits of over £50,000. The Director of Corporate Services explained that the number of personnel that received over £50,000 went up marginally every year due to the annual pay rise. However, the significant rise this year was due to the Service's considerable input into the Covid-19 vaccination programme and the cost of paying personnel. The government grant offset the cost although it had pushed some employees into the threshold and it reflected the work of the staff that went above and beyond their contractual obligations to provide support during the pandemic.

In response to a request from County Councillor Hennessy for an explanation of Contingent Liability, the Director of Corporate Services stated that a Contingent Liability was a potential liability which could occur in the future and would have an implication for the Service. It was reflected in a Contingent Liability note rather than as an estimate in the accounts with the liabilities, noted on page 122/123 of the report, relating to pensions.

**RESOLVED:** - That the Committee approved the Statement of Accounts and authorised the Audit Committee Chairman to sign them.

18/22

## **RISK MANAGEMENT**

The report highlighted actions taken in respect of corporate risk since the last Audit Committee meeting.

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

The Cyber Security

The Cyber Security threat landscape had changed significantly which had been witnessed globally, regionally and across multiple emergency services and local authorities.

Best practice standards set by the National Cyber security Centre (NCSC) had adapted according to the change in the threat landscape, which meant it was far more challenging to remain compliant.

Government organisations were routinely and relentlessly targeted: of the 777 incidents managed by the National Cyber Security Centre between September 2020 and August 2021, around 40% were aimed at the public sector. This upward trend showed no signs of abating.

The Service had achieved the Cyber Essentials Plus certification, which had to be refreshed every 12 months. The next re certification involved the prompt replacement of aging hardware/software as well as bringing in scope remote working, Wi-Fi security as well as several other areas which had previously been out of scope. The e-mail systems had been fully refreshed and the Service would be migrating all mailboxes to 365 for even better security and feature enhancements.

A Cyber Security Strategy and subsequent options paper had been agreed, identifying areas requiring investment, such as next generation Firewalls. The Service had been aligning with the National Cyber Security Centre best practice security framework and would continue to do so as it developed. It was classed as high-risk due to the scale of attack and the potential impact of such attacks.

An updated corporate risk register was considered by Members with changes summarised in the report. The Director of Corporate Services highlighted the following key areas:-

Risk no. 3 – Insufficient staffing resources

The position regarding the national pay award would continue to be monitored. IMT meetings would continue to be held to review the situation and on-going plans to minimise the risk. The number and location of potential appliances would be identified, and the internal and external communication plans would be developed.

Risk no. 26 – Increase in costs and administration associated with changes to pensions

The Service continued to see extended lead times on the majority of items, as an example LGV fleet vehicle lead times for chassis deliveries was 12-18 months. Costs continued to increase reflecting inflation, with many items increasing at a much higher rate (energy being the most significant of these), where costs had more than doubled.

Risk no. 36 – Increase in pay costs

Pay awards were separately set nationally for green and grey book staff and a 2% award has been estimated in the budget. A pay offer of 5% had been made by the employers in respect of grey book pay. The FBU had recommended that their members reject the offer, and, at the time of writing, the Service was

awaiting the outcome of that. A pay offer of £1925 per FTE had been made by the employer in respect of green book pay. Unison had accepted the offer, however at the time of writing, Unite and GMB were awaiting the outcome of their consultations. Both of those offers significantly exceeded the budget provision and would therefore lead to significant cost pressures in the current and future years budget.

**RESOLVED:-** That the Audit Committee noted the actions taken and endorsed the revised corporate risk register.

19/22

**CONTRACT STANDING ORDERS - PROPOSED AMENDMENTS**

The Authority was a Contracting Authority for the purpose of the Public Contracts Regulations 2015 (PCR) and was required to comply with the procedures and award of contracts as set out in those regulations.

Under PCR 2015, “contracting authorities” means, “the state, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law and includes central government authorities”.

Where those regulations did not apply (for contract values below EU thresholds) the Authority had its own procedures in place in the form of Contract Standing Orders. These formed part of the Constitution along with Financial Regulations and the Scheme of Delegation.

These had been reviewed and updated to reflect current practices, align with the Service’s regional partners, enable resources to be better focused, and were reflective of the current financial and economic climate.

Members considered the amended Contract Standing Order thresholds and amendments highlighted in the report relating to goods, services, consultancy and works, which also reflected current external EU thresholds.

*Please note ‘Find a Tender’ replaced OJEU for the UK as part of Brexit arrangements as set out within The Public Procurement (Amendments etc). (EU Exit) Regulations 2020.*

**FOR ALL GOODS & SERVICES & CONSULTANCY**

Up to £25,000:	With the exception of public utility Services i.e electric and periodical payments goods service consultancy may be procured using an official (PO).
Between £25,001 and £75,000:	At least three (3) written request for quotations ( <b>RFQ</b> ) must be requested. Procurement Depa could assist, best value should be evidenced.

Between £75,001 and £213,477	A <b>Tender</b> process was required with Procurement Department involvement. This would be a ' <u>Non-Find a Tender</u> ' process with a minimum of three (3) invites.
Over £213,477	A <b>Tender</b> process was required with Procurement Department involvement. This would be a ' <u>Find a Tender</u> ' process, Regulations must be followed and with a minimum of three (3) invites.  <a href="http://www.gov.uk">Find high value contracts in the public sector - GOV.UK (www.gov.uk)</a>

**FOR ALL WORKS**

Up to £50,000	May be purchased using an official order (PO), value should be evidenced.
Between £50,001 and £100,000	At least three (3) written request for quotations ( <b>RFQ</b> ) must be requested. Procurement Department could assist, best value should be evidenced.
Between £100,001 and £5,336,937	A <b>Tender</b> process was required with Procurement Department involvement. This would be a ' <u>Non-Find a Tender</u> ' process with a minimum of three (3) invites.
Over £5,336,937	A <b>Tender</b> process was required with Procurement Department involvement. This would be a ' <u>Find a Tender</u> ' process, Regulations must be followed with a minimum of three (3) invites.  <a href="http://www.gov.uk">Find high value contracts in the public sector - GOV.UK (www.gov.uk)</a>

All Contracts above £25,000k must still be published as an opportunity on Contracts Finder and a Contract Award notice still to be completed.

[Contracts Finder - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

In addition, it was also proposed to: -

- Increase the Member Tender Panel approval level from £100k to £175k.
- Increase the High Value Procurement Report threshold from £100k to £175k.

Members noted these thresholds had already been discussed with the Chair and Vice-Chair of Resources Committee who were supportive of the proposal.

**RESOLVED:-** That the Audit Committee approved the amended Contract Standing Order thresholds as outlined in the report.

20/22	<u>DATE OF NEXT MEETING</u>
	<p>The next meeting of the Committee would be held on <u>28 March 2023</u> at 10:00am hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.</p> <p>Further meeting dates were noted for 25 July 2023 and 26 September 2023 and agreed for 28 November 2023.</p>

M NOLAN  
Clerk to CFA

LFRS HQ  
Fulwood

## **Lancashire Combined Fire Authority Audit Committee**

Meeting to be held on 28 March 2023

### **Internal Audit Monitoring Report (Appendix 1 refers)**

Contact for further information:

Keith Mattinson – Director of Corporate Services – Tel: 01772 866804

#### **Executive Summary**

The attached report sets out the current position in respect of the internal audit plan for 2022/23.

#### **Decision Required**

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 5 March 2023 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**

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/A



## **Appendix 1**

**Lancashire Combined Fire Authority**

**Internal Audit Service monitoring report: period ended  
5 March 2023**

## Internal Audit Service

### 1. Introduction

- 1.1. This report supports Audit Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2022/23 audit plan, agreed at the March 2022 Committee meeting.
- 1.2. We are grateful for the assistance that has been provided to us in the course of our work.

### 2. Summary of progress against the 2022/23 audit plan

- 2.1. Work carried out during the period 1 April 2022 to 5 March 2023 was in accordance with the agreed audit plan. To date, 50.5 days have been spent this financial year on completion of the 2022/23 plan, equating to 72% of the total planned audit activity of 70 days. The table below shows the current status of all audit work.

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.


Audit review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
<b><i>Governance and business effectiveness</i></b>					
Overall governance, risk management and control arrangements	3	2	1	Progressing	N/A
<b><i>Service delivery and support</i></b>					
Recruitment	12	9	3	Completed	● Substantial
Carbon Management Arrangements	12	3	9	Progressing	N/A
<b><i>Business processes</i></b>					
Accounts payable	8	5	3	Completed	● Substantial
Accounts receivable	5	3	2	Completed	● Substantial
General ledger	5	3	2	Completed	● Substantial
HR/ Payroll	9	8	1	Completed	● Substantial

Pensions administration	1	0	1	Not started	N/A
Treasury management	4	5	-1	Completed	● Substantial
<b><i>Follow up audit activity</i></b>					
Training, Learning and Development	1	5	-4	Completed	Six actions have been implemented and one superseded.
Management of On Call provision	1	2	-1	Progressing	N/A
<b><i>Other components of the audit plan</i></b>					
Management activity	8	5.5	2.5	N/A	
National Fraud Initiative	1	0	1		

### 3. Extracts from Audit Reports

3.1. Extracts of assurance summaries are shown below

### Key Financial Systems (KFS)

Overall assurance rating – Accounts Payable	Audit findings requiring action			
	Extreme	High	Medium	Low
 <b>Substantial</b>	0	0	0	1

*See Appendix 1 for Rating Definitions*

There are no findings to report that would have a significant impact on the achievement of service objectives and a strong control environment continues to be maintained by the Finance Team in relation to Accounts Payables.

Financial Regulations and relevant policies are in place and accessible for all staff to view.

Expenditure with suppliers is monitored by the Procurement Officer and overlooked by the Head of Service to ensure that tendering arrangements and contracts are in place for supplies or services exceeding the Contract Standing Order threshold.

**Overall assurance rating –  
Accounts Receivable**



**Substantial**

**Audit findings requiring action**

Extreme	High	Medium	Low
0	0	0	0

*See Appendix 1 for Rating Definitions*

There are no findings to report that would have a significant impact on the achievement of service objectives and a strong control environment continues to be maintained by the Finance Team in relation to Accounts Receivables.

A Debt Management Policy is in place and readily available to staff, and appropriate separation of duties is maintained between the invoice requester and the individual who raises the invoices, banks the cheques and any cancellation of invoices.

All invoices raised were supported by an invoice request form correctly and accurately raised according to the request form and any debts outside of the standard reminder period are being monitored and chased on a regular basis.

The access to the accounts receivable system is appropriately limited to the relevant staff and an aged debt analysis report is produced monthly which shows all outstanding debt and the age of the debt.

**Overall assurance rating –  
 General Ledger**



**Substantial**

**Audit findings requiring action**

Extreme	High	Medium	Low
0	0	0	1

*See Appendix 1 for Rating Definitions*

There are no findings to report that would have a significant impact on the achievement of service objectives and a strong control environment continues to be maintained by the Finance Team in relation to the General Ledger.

There is an SLA in place, which sets out the respective roles and responsibilities of LCC and LFRS, the SLA was signed by LCC (Director of Finance) on 21 March 2022 and signed by LFRS (Director of Corporate Services) on the 15 March 2022.


We can confirm that all the staff who have General Ledger responsibilities are current LFRS staff, additionally the virements and feeder files we sampled were all appropriate with necessary approval documentations.

We were unable to test the error correction process due to the migration from Oracle R12 to Oracle Fusion as the error correction function was not live at the time of the review. Additionally, the control accounts reconciliations were not up to date due to short staffing and the service being unable to populate reports effectively from Fusion. However, they are currently working towards all the reconciliations and will most likely sign them all off as part of the year-end processes.

The 2022/23 budget was approved by the Lancashire Combined Fire Authority Committee and budget monitoring takes place corporately and departmental wise.

A Financial Monitoring Report which sets out the current budget position is produced for the Executive Board and the Resources Committee, additionally a Quarterly Measuring Progress Performance Report is also populated for the Senior Management Team and the Performance Committee.

## Recruitment- Positive Action

Overall assurance rating	Audit findings requiring action			
 <b>Substantial</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	0	0

*See Appendix 1 for Rating Definitions*


We can confirm that the current recruitment activity processes adopt an efficient and effective Positive Action approach in ensuring the right person is recruited to each individual role. A strong control environment exists, and various processes and plans are in place to ensure that the service continues to promote the Lancashire Fire and Rescue Service (LFRS) as an employer of choice. This includes recruiting a workforce which is diverse and meets the needs of the people of Lancashire and the communities it serves.

LFRS have established a strong network with various community groups to help them to promote a positive and inclusive culture within the workplace. The majority of the workforce have completed the Equality, Diversity and Inclusion course and all the staff who undertook the recent recruitment exercise have undertaken some additional form of training, which included aspects of Positive Action.

Diversity information is collected as part of the recruitment process to better understand the workforce composition and the application of Positive Action principles is published prior to specific recruitment exercises. Consent to pass on contact details to HR is requested from failed applicants from recruitment exercises, in order that they can be targeted further in future recruitment opportunities. Additional work is undertaken to identify barriers to joining Fire Services and this is used to inform Positive Action. All applicants are scored against pre-determined criteria at both application and interview stage and recruitment panels are appropriately constituted.

Appropriate records are kept and are used to identify all applicants who have received Positive Action support and senior management and relevant boards receive regular reports regarding application of the Positive Action approach.

### Training, Learning and Development- Follow up

		Status of agreed actions			
		Extreme	High	Medium	Low
<p><b>Original audit assurance rating</b></p> <p></p> <p><b>Moderate</b></p> <p><i>See Appendix 1 for Rating Definitions</i></p>	<b>Number of actions</b>			4	3
	Implemented			3	3
	Superseded			1	

A follow-up audit has been conducted to determine the progress made by Lancashire Fire and Rescue Service to implement the agreed actions in the internal audit report; Training, Learning and Development, issued in August 2021. It provided **moderate** assurance over adequacy and effectiveness of the controls in place to ensure that operational personnel can demonstrate ongoing compliance with the competencies required for their role. Whilst the provision of training and internal assurance arrangements are appropriately structured to support firefighters in maintaining the competencies required for their role, some actions to improve the overall monitoring and reporting arrangements were agreed to obtain greater assurance that training is being undertaken appropriately and learning is embedded.

Four medium risk and three low risk actions were agreed with the Service Training Manager and Head of Improvement and Innovation. Based on the information and evidence provided to us, we are satisfied that good progress has been made in implementing the agreed actions. There is now a Training Plan in place, management are aware of and monitor the training needs to ensure completion and monitoring is also in place for actions from station visits.



### **Audit assurance levels and classification of residual risk**

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **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.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its 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 its objectives.

### **Classification of residual risks requiring management action**

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **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 the LRFS services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the LRFS 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 the LRFS business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the LRFS 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 when 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 28 March 2023

### **Internal Audit Plan 2023/24 (Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Tel: 01772 866804

#### **Executive Summary**

The attached document sets out the final proposed Internal Audit Plan for 2023/24.

#### **Decision Required**

The Committee is asked to agree the Internal Audit Plan for 2023/24.

#### **Information**

The internal auditors are required to produce an Annual Audit Plan, setting out areas they intend to review during the year. A proposed plan is attached as Appendix 1 together with Internal Audit Service Charter as Appendix 2 which will be presented by the Internal Audit Manager.

The plan utilises a total of 70 days in 2023/24, which is in line with the current year.

#### **Financial Implications**

Delivery of the plan will cost £23k which is in line with budget provision.

#### **Human Resource Implications**

None

#### **Equality and Diversity Implications**

None

#### **Business Risk Implications**

The audit plan is formulated taking account of the risks faced by the Authority, and as such is designed to ensure that the auditors review how the Authority is managing these risks and provide an assurance on this.

#### **Environmental Impact**

None

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

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/A

**Lancashire Combined Fire Authority  
Internal Audit Service  
Internal Audit Plan: 2023/24**

### **1 Introduction**

- 1.1 This paper sets out a proposed plan of work to be undertaken by the Internal Audit Service for the Combined Fire Authority for the coming financial year. The plan amounts to a total resource of 70 audit days, which equates to an overall cost of £23,450 (ex VAT) at our daily rate of £335.
- 1.2 The Audit Plan for 2023/24 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector. The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter, which accompanies this plan.

### **2 Roles and responsibilities**

- 2.1 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Combined Fire Authority. However, the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and internal audit provides one of the key sources of such assurance.
- 2.2 The Head of Internal Audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the objectives of Lancashire Combined Fire Authority are being adequately and effectively controlled.
- 2.3 The Audit Committee's terms of reference require it to review and approve the internal audit plan.

### **3 Production of the audit plan**

- 3.1 An internal audit plan designed to provide the evidence necessary to support the opinion of the Head of Internal Audit needs to encompass coverage of the key components of each part of the opinion, namely, governance, risk management and control as well as sufficient coverage over operations as a whole either on an annual or periodic basis to enable production of a robust annual audit opinion.
- 3.2 Individual items are proposed for inclusion in the annual audit programme based on known changes to operational activity, systems or processes; and information obtained from our annual governance review, from our review of the corporate risk register and by liaising with the Director of Corporate Services to establish his view of those areas where independent assurance would be welcomed.
- 3.3 Where it is known that assurance will be provided from another body, (for example, His Majesty's Inspectorate of Constabulary and Fire and Rescue Services, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control.

#### 4 Degrees of assurance

4.1 For 2023/24 we will continue to categorise our assurance levels, using the following definitions:

<p><b>Substantial assurance:</b> the framework of control is adequately designed and/ or effectively operated overall.</p>
<p><b>Moderate assurance:</b> 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.</p>
<p><b>Limited assurance:</b> 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.</p>
<p><b>No assurance:</b> 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.</p>

#### 5 Deployment of audit resources

5.1 The plan is stated in terms of days input, which represents our best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.

5.2 The content and outline scope of each audit within the plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Audit review	Outline audit scope	Days
<b>Governance and business effectiveness</b>		
Overall governance, risk management and control arrangements	<p>In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows:</p> <ul style="list-style-type: none"> <li>We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee.</li> <li>We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of key operational and decision-making boards across LFRS.</li> </ul>	3

Audit review	Outline audit scope	Days
<b><i>Service delivery and support</i></b>		
Equality Impact Assessments	The review will consider the adequacy and effectiveness of how Equality Impact Assessments are considered on all policy, practice, or decisions across the Lancashire Fire and Rescue Service.	10
Management of change within LFRS	The review will consider the adequacy and effectiveness of the management of change within the Lancashire Fire and Rescue Service. Specifically, how they measure benefits realised.	10
<b><i>Business processes</i></b>		
Accounts payable	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> <li>• Compliance with financial regulations and the scheme of delegation.</li> <li>• Processes employed for the ordering, receipting and payment of goods and services are appropriate and efficient.</li> <li>• Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid.</li> </ul>	9
Accounts receivable	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> <li>• Invoices are raised on a timely basis for all goods and services provided.</li> <li>• Invoices are cancelled or written off appropriately.</li> <li>• Income is correctly accounted for.</li> <li>• Debtors are actively managed so as to reduce the level of bad debts and loss of income.</li> </ul>	6
General ledger	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> <li>• Access to the accounting systems is appropriately managed and controlled.</li> <li>• There are no unauthorised changes to the accounting records.</li> <li>• Financial data is complete, timely and accurate.</li> </ul>	6



Audit review	Outline audit scope	Days
	<ul style="list-style-type: none"> <li>Misappropriations or errors are detected.</li> </ul>	
HR/ Payroll	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> <li>Access to the HR and payroll systems is appropriately managed and controlled.</li> <li>Key HR and payroll data and information is securely retained.</li> <li>No unauthorised or invalid appointments have been made and valid appointments have been correctly established.</li> <li>No unauthorised or inaccurate payments or adjustments to pay have been processed.</li> <li>Staff are paid in a timely manner.</li> <li>Payroll costs and deductions are correctly accounted for.</li> </ul>	10
Treasury management	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> <li>The regulatory framework/ internal treasury management strategy/ policy is followed.</li> <li>Treasury management reports to members are accurate and clear.</li> <li>Investment and borrowing decisions are based on accurate and complete cash flow forecasting data.</li> <li>There is effective scrutiny of Treasury management activity by those charged with governance.</li> </ul>	4
<b><i>Follow up audit activity</i></b>		
	<ul style="list-style-type: none"> <li>The reviews will incorporate a self-assessment by management of the progress made in implementing agreed actions; and</li> <li>Selective test checking of controls introduced to address identified unmitigated risk.</li> </ul>	2
<b><i>Other components of the audit plan</i></b>		
Management activity	<ul style="list-style-type: none"> <li>Attendance at meetings of the Audit Committee.</li> <li>Production of the annual audit plan.</li> </ul>	9

<b>Audit review</b>	<b>Outline audit scope</b>	<b>Days</b>
	<ul style="list-style-type: none"> <li>• Preparation of the Audit Committee monitoring reports.</li> <li>• Preparation of the annual report of the Head of Internal Audit.</li> <li>• Liaison with external audit.</li> <li>• Pension Assurance.</li> </ul>	
National Fraud Initiative	<ul style="list-style-type: none"> <li>• Support to LCFA with the NFI data matching process as required.</li> </ul>	1
<b><i>Approved days</i></b>		<b>70</b>

## Lancashire Combined Fire Authority Internal Audit Service Charter

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### 1 Introduction

- 1.1 This charter establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Combined Fire Authority and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position in relation to the Combined Fire Authority; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.2 It will be subject to periodic review by the head of internal audit and presented to the Audit Committee for approval.

### 2 Relevant regulations and interpretation

- 2.1 The requirement for an internal audit function in local government is set out in the Accounts and Audit Regulations 2015 ('the Regulations').
- "Internal audit: A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance."
- Regulation 5. (1)*  
*Accounts and Audit Regulations 2015*
- 2.2 *Accounts and Audit (Amendment) Regulations 2022* The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published *Public Sector Internal Audit Standards ('PSIAS')*, which encompass the *Mission of Internal Audit* and the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework (the *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition of Internal Auditing*). These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within *PSIAS* by additional public sector interpretation and guidance. CIPFA has also published a *Local Government Advisory Note* setting out sector-specific requirements for local government within the United Kingdom.
- 2.3 Lancashire County Council's Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 2.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales, which includes Combined Fire Authorities should "make arrangements for the proper administration of

## **Lancashire Combined Fire Authority Internal Audit Service Charter**

their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". In its *Statement on the Role of the Chief Financial Officer in Local Government* CIPFA has defined 'proper administration' as including compliance with the statutory requirements for accounting and internal audit. It also requires the person fulfilling the role of Chief Finance Officer to ensure an effective internal audit function is resourced and maintained.

### **3 Definitions**

- 3.1 Both the Global Institute of Internal Auditors and *PSIAS* set out the following definition of internal auditing:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

*Global Institute of Internal Auditors, and  
Public Sector Internal Audit Standards, 2017*

- 3.2 The Global Institute of Internal Auditors and *PSIAS* also refer to the 'board' and 'senior management' and *PSIAS* recognise that these terms need to be interpreted in the context of the Combined Fire Authority's own governance arrangements.

- 3.3 *PSIAS* defines the board as:

"The highest level of governing body charged with the responsibility to direct and/ or oversee the activities and management of the organisation. [...] 'Board' may refer to an audit committee to which the governing body has delegated certain functions."

*Public Sector Internal Audit Standards, 2017*

- 3.4 In relation to the Combined Fire Authority, the board is defined as the Audit Committee.
- 3.5 Senior management is represented by the Executive Board which consists of the Chief Fire Officer, the Deputy and Acting Assistant Chief Fire Officers, the Director of Corporate Services/Treasurer and the Director of People and Development.
- 3.6 *PSIAS* also refers to the 'chief audit executive' who is deemed to be the head of internal audit.

### **4 Responsibilities**

- 4.1 The Regulations set out that the Combined Fire Authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that financial and operational management is effective; and includes effective arrangements for the management of risk.

## Lancashire Combined Fire Authority Internal Audit Service Charter

- 4.2 The Combined Fire Authority has taken the decision to outsource internal audit provision to Lancashire County Council's Internal Audit Service. However, responsibility for maintaining an adequate and effective system of internal audit remains with the Combined Fire Authority.
- 4.3 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. *PSIAS* make clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.4 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole. The scope of internal audit's work therefore encompasses all of the functions, services and activities of the Combined Fire Authority.
- 4.5 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However, the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control. They will also contribute to the overall assurance opinion.
- 4.6 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with senior management, who either accept the advice or accept the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.
- 4.7 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with *PSIAS* and the results of the quality assurance and improvement programme.
- 4.8 A note of the responsibilities of senior management and the Audit Committee ('the board') in relation to the internal audit function are set out in the appendix to this charter. The Internal Audit Service's responsibilities are set out in *PSIAS*, and these are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

## **Lancashire Combined Fire Authority Internal Audit Service Charter**

### **5 Independence, objectivity, and integrity**

- 5.1 The Internal Audit Service remains independent of the other functions of the Combined Fire Authority and no member of the Internal Audit Service has any executive or operational responsibilities. Auditors are expected to deploy impartial and objective professional judgement in all their work.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with senior management and the Audit Committee but remain a decision for the head of internal audit. The head of internal audit and audit manager have direct access to and freedom to report in their own names and without fear or favour to all officers and members, and specifically the Audit Committee. They have the formal opportunity prior to each committee meeting to meet with the chair of the Audit Committee.
- 5.3 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate. The head of internal audit makes an annual declaration that the internal audit function is operationally independent.
- 5.4 All auditors also make an annual declaration that they have read and are aware of the obligations placed on them by the *Public Sector Internal Audit Standards* and, specifically the *Code of Ethics*. They each acknowledge that they must adhere to the *Code of Ethics* and demonstrate integrity, objectivity, competence and confidentiality in the discharge of all their duties.

### **6 Reporting lines and relationships**

- 6.1 The head of internal audit and audit manager report functionally to the Audit Committee and have direct access to senior management of Lancashire Fire and Rescue Service.
- 6.2 The head of internal audit and the audit manager have, in addition, access to the chair of the Audit Committee which meets at least four times each year, and the head of internal audit or the audit manager reports to each meeting of that committee under its terms of reference. The Audit Committee is responsible for approving the annual audit plan.
- 6.3 The head of internal audit and, the Internal Audit Service as a whole, adhere to the requirements of CIPFA's *Statement on the Role of the Head of Internal Audit*.

### **7 Access to information**

- 7.1 The Internal Audit Service has the right of unrestricted and direct access to the records (however held), assets, premises and officers of Lancashire Fire and Rescue Service. The Internal Audit Service has the

## **Lancashire Combined Fire Authority Internal Audit Service Charter**

authority to obtain all such information and explanations as it considers necessary to fulfil its responsibilities.

- 7.2 Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Combined Fire Authority's legitimate and ethical objectives.

### **8 Internal audit resources**

- 8.1 The Treasurer of the Combined Fire Authority is responsible for ensuring that internal audit resources are sufficient to meet their responsibilities and achieve their objectives. If the head of internal audit or the Audit Committee considers that the level of audit resources or the terms of reference in any way limits the scope of internal audit or prejudices the ability of the Internal Audit Service to deliver a service consistent with its statutory and related requirements, they will advise the Combined Fire Authority accordingly.
- 8.2 The Combined Fire Authority determines through its budget the number of audit days in the annual audit plan. The Internal Audit Service's resources are therefore deployed to meet an annual audit plan that pays regard to the relative risks accepted, and levels of assurance required, by the Combined Fire Authority and the Audit Committee.

### **9 Competency**

- 9.1 The head of internal audit and audit managers are required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies or full professional membership of the Chartered Institute of Internal Auditors. It is expected that senior auditors will either hold, or be close to and actively working towards, full professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.
- 9.2 The county council's performance and development opportunities are applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

### **10 Quality assurance and improvement**

- 10.1 The head of internal audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with *PSIAS*. This includes both internal and external assessments and is set out in a separate *Quality Assurance and Improvement Programme*.
- 10.2 The results of the quality assurance and improvement programme including any areas of non-conformance with *PSIAS* are reported

## **Lancashire Combined Fire Authority Internal Audit Service Charter**

annually to senior management and the Audit Committee. This report will include information regarding:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

### **11 Non-audit work**

- 11.1 *PSIAS* recognises that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion.
- 11.2 Lancashire County Council's Internal Audit Service facilitates the Combined Fire Authority's participation in the National Fraud Initiative, which matches data from Lancashire Fire and Rescue Service's information systems with information held by other bodies to identify potentially fraudulent activity.
- 11.3 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.
- 11.4 The head of internal audit or the audit manager should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for her opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.



## **Responsibilities In Relation to The Internal Audit Function**

### **The Executive Board ('senior management') of Lancashire Fire and Rescue Service will:**

- Consider the Internal Audit Charter, including the internal audit function's purpose and authority, and the mandatory elements of the International Professional Practices Framework.
- Consider, and contribute to the development of the risk-based internal audit plan, supporting its completion within the organisation.
- Make appropriate enquiries to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*.

### **The Audit Committee ('the board') will:**

- Consider and approve the Internal Audit Charter.
- Consider and approve the risk-based internal audit plan, including the Internal Audit Service's approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- Make appropriate enquiries of senior management and the head of internal audit to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive reports from the head of internal audit on the Internal Audit Service's performance and audit findings, including the head of internal audit's annual report and overall opinion for the year.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- Consider and approve any significant consulting services not already included in the audit plan, in light of any potential impairments to the auditors' independence or objectivity.

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## **Lancashire Combined Fire Authority Audit Committee**

Meeting to be held on 28 March 2023

### **External Audit – Auditors Annual Report 2021/22 (Appendix 1 refers)**

Contact for further information:

Keith Mattinson - Director of Corporate Services - Tel: 01772 866804

#### **Executive Summary**

The External Auditors 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 Auditors 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 November 2022'.

#### **Review of Value for Money Arrangements**

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

##### **Financial sustainability**

The report states "We did not identify any significant weaknesses in the Lancashire Fire and Rescue Authority's financial sustainability arrangements. Whilst the Authority continues to face significant financial pressures, we consider the financial planning arrangements are sound. In particular, the Authority recognises the need to balance savings with future investment and has sound arrangements in place for budget monitoring. We made two improvement recommendations for tracking savings delivery and ensuring the slippage on the capital programme does not impact the delivery of strategic objectives."

## **Governance**

The report states “We assessed the Authority’s governance arrangements across a number of areas including leadership, risk management, financial reporting and management and informed decision making. We found no evidence of a significant weakness in the Authority’s arrangements for ensuring they have made informed decisions and properly manage its risks. Nor have we identified any improvement recommendations. However, two of the recommendations made last year still stand. The Authority disagreed with these so has not taken an action to address them.”

## **Improving economy, efficiency and effectiveness**

The report states “The Authority have effective arrangements in place for improving economy, efficiency and effectiveness. We did not identify any risks of significant weaknesses in the Authority’s arrangements in place for improving economy, efficiency and effectiveness.”

## **Recommendations**

The auditors review did not identify any significant weaknesses in arrangements across any of these areas, but have made 2 new improvement recommendations as set out pages 11 and 12 of the report:-

- Recommendation - The Authority needs to ensure it continues to closely monitor the delivery of its savings and efficiency plans to ensure it minimises the reduction of its reserves and achieves its strategic objectives.  
Management Comment - Agreed, this is usually done but has slipped due to staff vacancies.
- Recommendation - The Authority needs to closely track the delivery of its capital programme to ensure any ongoing slippage does not impact the delivery of its strategic objectives and longer-term plans.  
Management Comment - Agreed, we already do this.

In addition, it has reiterated two of its recommendations from last year that we did not accept (page 20 of the report):-

- 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.

## **Business Risk**

The Annual Auditors 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 £40.8k, which is consistent with the fee agreed as part of the Audit Plan.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper: Audit Findings Report

Date: January 2023

Contact: Keith Mattinson

Reason for inclusion in Part 2 if appropriate: N/A

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# Auditor's Annual Report on Lancashire Fire and Rescue Service

2021/22  
January 2023  
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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 Service 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 Service's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary



## Value for money arrangements and recommendations

Under the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to consider whether the Service has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Fire Authority’s arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our 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. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 1 improvement recommendation made.	No significant weaknesses in arrangements identified but two improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 3 improvement recommendations made.	No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified	No significant weaknesses in arrangements identified.

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

We did not identify any significant weaknesses in the Lancashire Fire and Rescue Authority's financial sustainability arrangements. Whilst the Authority continues to face significant financial pressures we consider the financial planning arrangements are sound. In particular, the Authority recognises the need to balance savings with future investment and has sound arrangements in place for budget monitoring. We made 2 improvement recommendations for tracking savings delivery and ensuring the slippage on the capital programme does not impact the delivery of strategic objectives. Our findings are set out in further details on pages 7 to 12.

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## Governance

We assessed the Authority's governance arrangements across a number of areas including leadership, risk management, financial reporting and management and informed decision making. We found no evidence of a significant weakness in the Authority's arrangements for ensuring they have made informed decisions and properly manage its risks. Nor have we identified any improvement recommendations. However two of the recommendations made last year still stand. The Authority disagreed with these so has not taken an action to address them. Our findings are set out in further details on pages 13 to 15.



## Improving economy, efficiency and effectiveness

The Authority have effective arrangements in place for improving economy, efficiency and effectiveness. We did not identify any risks of significant weaknesses in the Authority's arrangements in place for improving economy, efficiency and effectiveness. Our findings are set out in further details on pages 16 to 19.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 29 November 2022. Our findings are set out in further detail on page 21.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 29 November 2022. Our findings are set out in further detail on page 21.

## 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 recommendations

## 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 a public interest report

## 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 apply to the Court

## Advisory notice

Under Section 29 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 an advisory notice

## 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 apply for a judicial review

# Securing economy, efficiency and effectiveness in the Authority's 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 the Authority's arrangements in each of these three areas, is set out on the following pages. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Service:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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## Overview of the Arrangements to ensure financial sustainability

Lancashire Fire and Rescue Authority has a good track record of delivering savings and meeting its budget. The Authority agreed a gross revenue budget 2021/22 of £58.2m which was an increase of 1.5% from the prior year. Council tax was set at £72.27 which represented a 1.99% uplift in line with the referendum limit.

The Authority achieved an overall revenue outturn underspend of £332k for 2021/22, which included the delivery of £0.749m savings against the budget target of £0.179m. Of the total savings £0.349m arose from staffing, including post reductions and managing vacancies through the year.

The underspend meant the Authority did not need to use reserves to support the budget in 2021/22.

The Authority's approach to financial planning demonstrates a clear understanding of the costs of delivering the statutory services and its future financial challenges. The table below shows the Authority's revenue outturn over the last 3 years:

	2019/20 £000	2020/21 £000	2021/22 £000
Base budget	56,051	57,339	58,175
Actual	56,300	56,976	57,844
Surplus/(Deficit)	(248) *	363	331

\* drawn down from reserves

(Source: Outturn Reports)

## Budget process

The annual budget process starts in September and 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 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 and then the final budget taken to the Combined Fire Authority in February. 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.

## Financial position and medium term plans

The Medium Term Financial Strategy (MTFS) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. This is refreshed each year and presented alongside the annual budget for the forthcoming year. In doing so it demonstrates that financial risks are considered each year in both the short and medium term.

The Authority continues to work closely with Billing Authorities to understand assumptions around the Council Tax base and the likely surplus or deficit on the Collection Funds as this will impact the income they receive.

# Financial sustainability

## Financial position and medium term plans (continued)

The Authority agreed its revenue budget, incorporating the MTFS 2022/23 to 2026/27, in February 2022 based on a 1 year funding settlement. The MTFS sets out the financial challenge faced by the Authority with key financial assumptions covering pay and non-pay inflation, other pay pressures, variations and growth. Staff costs accounted for 72% of expenditure in 2021/22, so are clearly the largest element of expenditure with an allowance of 2% built in over the 5 year period. The MTFS also includes a £5 increase in council tax in 2022/23 and a 2% council tax increase in future years, in line with the likely referendum principles.

Other key assumptions include a range of non-pay inflationary uplifts on energy (initially 25% in 2022/23, and then 2.5%), fuel (12.5% for 2022/23 and then 2.5%), rates (5% each year) and other (2.5% each year).

The Authority were able to set a balanced budget covering the 5 year MTFS period on the basis of these and other funding assumptions. The MTFS also incorporated a range of budget scenarios ranging up to a £3.8m loss of funding or a £5.5m increase in costs. The key variables are future funding levels, pay awards, pension costs and the outcome of the emergency cover review (ECR). The MTFS includes the requirement for £0.9m of savings in 2022/23 on the basis of the assumptions included in the forecast plan.

Her Majesty's Inspection of Constabulary Fire and Rescue Services (HMICFRS) completed an assessment of the Authority's effectiveness, efficiency and people in July 2022. It reported positively 'the service has a sound understanding of future financial challenges and plans to mitigate its significant financial risks. The underpinning assumptions are relatively robust, realistic and prudent, and take account of the wider external environment and some scenario planning for future spending reductions. The service plans for the possible future effect of changes in areas such as government funding, business rates, pension costs and pay, which could lead to less money being available'. It also reflected that 'although the service has a good track record of generating savings, at the time of inspection it had limited plans showing how the service would make savings or generate further income in the future'.

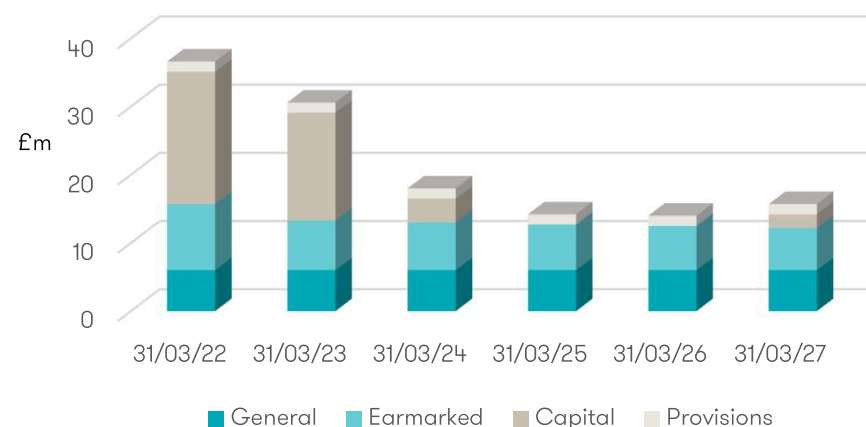
The latest quarterly financial monitoring report 2022/23 (for the 6 months to September 2022) reports an overspend of £0.5m, largely as a result of price increases on energy, fuel and property maintenance. The report also notes the potential costs with pay awards, which are £1.1m more than budgeted. There is some increased returns on investments of £0.5m which partly mitigate against these costs but the position is now one of a forecast overspend at year end of between £1.0m and £1.5m.

The Authority are continuing to review other areas for delivering savings but may need to utilise reserves in the short term to fill this budget gap. Saving schemes are approved through the budget setting process with discussions with the budget holders. Longer term savings schemes are developed through the Emergency Cover Reviews (ECR) which are carried out every three to five years, with the Authority completing the latest review in 2022.

As for all Fire Authorities, annual settlements and the lack of longer term assurances over funding make financial planning more short-term in its focus. The provisional funding settlement in December 2022 indicated some improved funding over initial forecasts in the MTFS but this is offset by ongoing cost pressures on pay, energy and inflation. As a result the Authority are projecting a balanced budget for 2023/24 after identified savings of £0.5m in the Emergency Cover Review.

In 2021-22, the Authority delivered savings of £0.749m with savings of £0.9m initially identified for 2022/23 to meet the funding gap. The projected reserves and balances position over the next 5 years is shown in the table below.

Projected reserves and balances 2022-2027



(Source: reserves and provisions outturn 2021-22)

# Financial sustainability

The Authority holds £36.7m of reserves and provisions at 31 March 2022, which includes £6m general fund and £9.7m earmarked reserves. Risks are built into the budget through the building up of the general fund reserve and provisions.

The anticipated level of reserves reduces by over £20m over the next 3 financial years, reflecting the scale of the capital programme. The general fund reserve remains at £6m and is above the minimum level of £4m set by the Treasurer. This provides a buffer for any increased expenditure or other budget shortfalls in the short term.

The reserves and balances policy 2022/23 acknowledges the reserves position will be subject to significant change as pension costs, funding, inflation, pay awards etc become clearer in future years. The annual refresh of this policy will identify the impact of any changes as they develop.

## Improvement recommendation

The Authority recognises the need to balance savings with future investment and has sound arrangements in place for budget monitoring. It needs to ensure it continues to closely monitor the delivery of its savings and efficiency plans to ensure it minimises the reduction of its reserves and achieves its strategic objectives.

## Capital strategy and budget

The Capital Programme is prepared annually through the budget setting process and is reported to the Authority for approval each February. The latest programme sets out the capital projects in the financial years 2022/23 to 2026/27 which is updated to reflect any slippage from the previous financial year (2021/22). Projects are aligned to approved asset management plans with bids for new capital projects evaluated and prioritised by Executive Board prior to seeking Authority approval.

Each budget holder is responsible for monitoring and controlling their part of the capital programme, with quarterly progress reported to the Head of Finance, alongside estimated final costs. The Resource Committee approve any revisions to the Capital Programme before spending can proceed.

The Capital budget and strategy 2022/23 to 2026/27 identifies a £47m programme over the next 5 years. Existing schemes include the relocation of the Strategic Headquarters (SHQ) of £12m from 2023/24 and the replacement of Preston Station (£7.8m) from 2022/23. The draft Capital budget in February 2022 included £6.2 m slippage from 2021/22 with a further £1.1m added in the mid year update.

The latest financial monitoring report to September 22, reported at the November 2022 Resource Committee, highlighted significant slippage in the capital programme for 2022/23. Of the £9m planned spend set out in the Capital Strategy and Budget the spend to date is £0.6m with forecast £3.3m for the year. We understand this is largely operational, with long lead in times for vehicle replacement.

## Improvement recommendation

The Authority needs to closely track the delivery of its capital programme to ensure any ongoing slippage does not impact the delivery of its strategic objectives and longer term plans.

## Consistency with other plans

It is important the Authority's workforce plan is aligned to its financial plans as staff expenditure forms a significant part of the overall budget. 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.

HMICFRS reported (July 2022) the service's financial and workforce plans, including allocating staff to prevention, protection and response, reflect and are consistent with the risks and priorities identified in the Community risk management plan (CRMP).

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, as noted previously.

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# Financial sustainability

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## 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 two improvement recommendations on:

- monitoring the delivery of savings rather than depleting General Fund reserves, and
- ensuring the slippage on the capital programme does not impact the delivery of strategic objectives.



# Improvement recommendations



## Financial sustainability

### Recommendation

The Authority needs to ensure it continues to closely monitor the delivery of its savings and efficiency plans to ensure it minimises the reduction of its reserves and achieves its strategic objectives.

### Why/impact

The latest quarterly financial monitoring report 2022/23 (for the 6 months to September 2022) reported an overspend of £0.5m, and a forecast overspend at year end of between £1.0m and £1.5m. The Authority may need to utilise reserves in the short term to fill this budget gap.

### Auditor judgement

The continued use of reserves to balance the budget is not conducive to financial sustainability.

### Summary findings

The general fund reserve remains at £6m and is above the minimum level of £4m set by the Treasurer. Although this provides a buffer for any increased expenditure or other budget shortfalls in the short term the Authority should look to minimise the usage of reserves.

### Management Comments

Agreed, this is usually done but has slipped during 2022/23 due to staff vacancies.



# Improvement recommendations



## Financial sustainability

### Recommendation

The Authority needs to closely track the delivery of its capital programme to ensure any ongoing slippage does not impact the delivery of its strategic objectives and longer term plans.

### Why/impact

The latest financial monitoring report to September 2022, reported at the November 2022 Resource Committee, highlighted significant slippage in the capital programme for 2022/23. Of the £9m planned spend set out in the Capital Strategy and Budget the spend to date is £0.6m with forecast £3.3m for the year.

### Auditor judgement

Ongoing capital slippage and deferral of capital expenditure may impact the delivery of key projects that affect the delivery of the Authority's strategic objectives.

### Summary findings

The Capital Strategy and Budget 2022/23 to 2026/27 identifies a £47m programme over the next 5 years. Existing schemes include the relocation of the Strategic Headquarters (SHQ) of £12m from 2023/24 and the replacement of Preston Station (£7.8m) from 2022/23. This capital strategy was approved by the Authority, aligns to fleet asset management plans and the delivery of strategic objectives.

### Management Comments

Agreed, we already do this.



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

# Governance



## We considered how the Service:

- 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Leadership and committee effectiveness

We reported in 2020/21 that the Authority has appropriate leadership in place. The Authority is led by its Combined Fire Authority (CFA) which is made up of 25 councillors from Lancashire County Council, Blackburn with Darwen Borough Council and Blackpool Borough Council. The CFA makes key strategic decisions including setting the Council Tax precept, approving the budget requirement and reviewing items referred for a decision by a sub-committee.

The CFA is supported by a committee structure aligned to strategic objectives with clear terms of reference. These include:

- Audit - advises on the adequacy and effectiveness of governance and risk management
- Performance - considers and makes recommendations on performance management arrangements
- Planning - considers and makes decisions on planning, including consultations and communications
- Resources - consider and make decisions on financial, human resources and property related issues, and
- Appeals - hears relevant appeals, grievances and complaints.

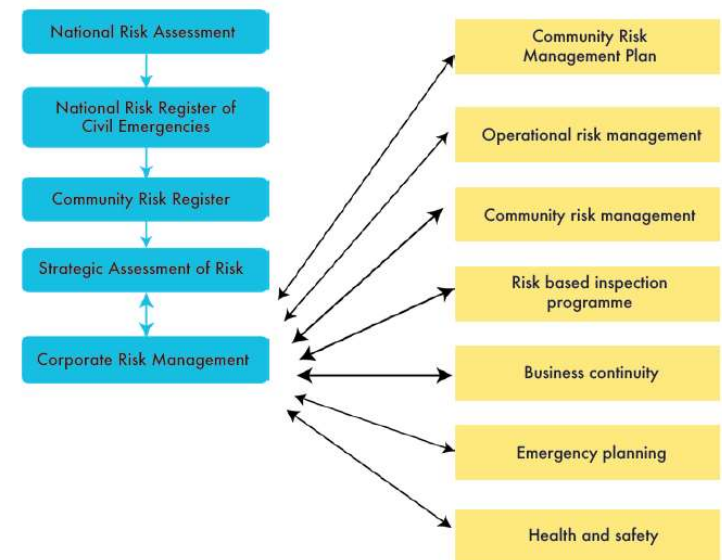
The service has a clear management structure in place. The Executive Board is made up of the Chief Fire Officer (head of paid service), and 4 Executive Directors. The Executive Board is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is supported by the Service Management Team.

From a review of committee minutes and attendance at Audit Committee we are satisfied there is adequate leadership and challenge provided from the structures in place.

In addition the recent inspection by Her Majesty's Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) 2021/22, commented 'since our last inspection the service had made some progress in the way it supports the development of leadership and high-potential staff'.

## Risk management

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 Community Risk Management Plan (CRMP).



The Authority updated the CRMP 2022/27 and approved this in February 2022. Key changes in the CRMP were:

- the underlying methodology supported by best practice guidance of the National Fire Chiefs Council (NFCC), issued June 2021
- newly developed data driven SAoR using data from the Incident Recording System (IRS) to identify the highest risk activities and incidents

# Governance

## Risk management (continued)

- Key strategies supporting the CRMP expanded to include People, Finance, Digital and Data in addition to the Prevention, Protection and Response, and
- Re-presentation of the key priorities to highlight people as the highest.

The Authority's Risk Management Strategy and framework ensures that risks to the Service's objectives are identified and appropriately managed.

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 which is the single document used to manage and control risks at a corporate level.

Risks are assessed according to the likelihood of the risk occurring and the potential impact if it did materialise. A 5 x 5 scoring mechanism for probability and impact is applied.

The Corporate Risk Register is maintained on an ongoing basis and discussed quarterly in line with Audit Committee meetings. The latest Corporate Risk Register (November 2022) reported 37 risks, with 8 red rated (highest risk level). The report provided updates on how these are being managed, risk scores, direction of travel and ownership.

The Internal Audit opinion on governance, risk management and control arrangements in 2021-22 provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

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

## Policies, procedures and controls

The Authority has Constitutional, Procedural and Contractual Standing Orders in place which outline the make up of the Authority, number of meetings, main roles, committee structure, conduct of meetings and members. The Authority's Annual Governance Statement 2021/22 sets out the key governance processes in operation throughout the Council.

The Authority's Internal Audit function is provided by Lancashire County Council's Internal Audit Service. The Authority's internal auditors deliver a wide programme of work and reports include governance, risk management and control arrangements, service delivery and support, business processes and follow up audit activity. The work delivered for 2021/22 was in line with the agreed plan and provides good coverage and allows the Audit Committee to obtain sufficient assurance.

Internal Audit report regularly to the Audit Committee throughout the year and issued a 'substantial assurance' opinion for 2021/22 in the Annual IA opinion. Details of compliance with Public Sector Internal Audit Standards (PSIAS) are included in the Annual IA opinion with the last independent assessment in January 2018. The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS which are regularly reviewed.

As noted in 2020/21 the Authority maintains a suite of governance policies including Anti-Fraud Policy, Whistleblowing Policy, and a Code of Conduct for Fire Authority Members. These were updated and approved in February 2021 along with Constitutional and Procedural Standing Orders.

The Authority also takes part in the National Fraud Initiative that matches electronic data within and between public and private sector bodies to prevent and detect fraud. No incidences of fraud were identified from the matches processed during 2021/22.

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 an appropriate budget setting and monitoring process in place. The budget is developed through stages with the refinement of assumptions and funding stream estimates, examining the budget gap and developing savings proposals throughout. Key stakeholders are involved, including through budgetary approvals and reviews. Operational budget holders receive quarterly monitoring reports, and meet with finance each quarter. Discussions between the finance team and budget holders facilitate appropriate challenge and responses to adverse variances. The Resource Committee receive detailed quarterly Financial Monitoring Reports for discussion and challenge.

The Performance Committee receive quarterly service activity reports which are separate to the financial monitoring reports. Revenue Financial Monitoring Reports include year-to-date positions within individual service departments. Where financial variances relate to higher activity, these are explained in the financial monitoring reports, allowing members to make the link between the two.

This level of scrutiny and the Authority's track record in delivering a balanced budget whilst responding to ongoing economic challenge provides assurance on the strength of the arrangements in place.

# Governance

## Treasury Management

The Authority adheres to the CIPFA Code of Practice on Treasury Management and maintains Treasury Management policies and practices to manage treasury risks. The Treasury Management Policy and Strategy is refreshed and approved annually by the 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 Authority in November. The Authority follows fundamental security, liquidity and risk principles prioritising the security of funds. The Authority's borrowings with the Public Works Loan Board (PWLB) remain at £2m, not due until 2035, and it has £10m in long term deposits as at 31 March 2022.

We did not note any significant areas of risk in borrowing or investment activity during our final accounts audit 2021/22.

## Finance team capacity

The finance team lost a key member of staff during 2021/22 with the Director of Corporate Services taking on the role of preparation of the financial statements, supported by agency staffing. The financial statements were completed to a good standard and the reduced staffing did not affect the delivery of key financial tasks. The Director of Corporate Services is retiring in 2022/23 and the Authority has already recruited to fill this post.

There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements and budgetary reports. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2021/22 and previous financial statements.

## Monitoring and ensuring appropriate standards

The inspection by Her Majesty's Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) 2021/22, published in July 2022 scored Lancashire Fire and Rescue Service as 'Outstanding' for 'How well does the FRS promote its values and culture?' HMICFRS commented that the service has continued to work on creating a culture that is in line with its values and aligned to the UK national code of ethics for fire and rescue services.

The HMICFRS report noted the service has developed a talent management process since the last inspection which staff are starting to realise the benefit from. This includes a talent management plan, with progression pathways and an appraisal process to identify talent.

The Authority has a Code of Conduct for staff 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.

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

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.

We have not identified or been made 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.



# Improving economy, efficiency and effectiveness



## We considered how the Service:

- 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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

### Effectiveness, efficiency and people inspection 2021/22

HMICFRS's assessment examines the service's effectiveness, efficiency and how well it looks after its people. It gives the public information about how their local fire and rescue service is performing in important areas, in comparison with other services across England. HMICFRS completed their inspection in July 2022 and judged Lancashire Fire and Rescue service's (LFRS) effectiveness, efficiency and people as 'Good' in each of the following areas:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How well does the fire and rescue service look after its people?

It reported the service has made good progress in most areas since the last inspections in 2018 and 2020. One sub-category of Promoting the right values and culture received an outstanding judgement.

The inspection findings reported the most important were:

- The service has improved consultation with the public and internal and external interested parties about its community risk management plan (also known as an integrated risk management plan).
- The service has made some progress in making sure it allocates enough resources to its prioritised, risk-based inspection programme. However, it is too early to see how effective the programme will be.
- Overall, the service has developed a good understanding of its future financial challenges. It has also identified savings and investment opportunities to improve its service to the public
- Since our last inspection, the service has developed a talent management process. Staff are starting to realise the benefits of this.

The report also included areas for improvement as follows:

- The service should evaluate its prevention activity, so it understands what works.
- The service should ensure it allocates enough resources to a prioritised and risk-based inspection programme.
- The service should make sure it allocates enough resources to respond effectively and in time to statutory building control consultations.
- The service should make sure that fire control has direct access to relevant and up-to-date risk information.
- The service should make sure there is a testing programme for its business continuity plans, particularly in high-risk areas of service.
- The service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity.

The Authority have set out an Organisational Assurance Improvement Plan 2022/23 to monitor the delivery of improvements outlined in the HMICFRS Inspection Report. The latest update was discussed at a senior management development day in October 2022 with quarterly monitoring and scrutiny to be taken to the Executive Board. The Executive Board will receive updates on progress made against the key areas identified in the action plan. The Authority is also setting in place future horizon scanning of all national reports to identify future risks, areas of focus and best practice to ensure it continually seeks improvement in the Service.

### Performance and performance monitoring

The Authority monitors performance through quarterly performance reports which are scrutinised by the Performance Committee, and then discussed at Combined Fire Authority meetings. The performance reports include performance against the key performance indicators (KPIs) detailed in the Community Risk Management Plan 2022/2027.

# Improving economy, efficiency and effectiveness

The KPIs are reported against the 4 key priorities of:

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

The performance report includes a clear overview of the performance direction of the KPI's within each priority. Graphic representation is given to show the relative direction of travel over the last four quarters and to highlight any negative exceptions.

The latest Quarter 2 performance report to September 2022 noted 3 negative exceptions for Staff Absence Wholetime (WT), Staff Absence Greenbook, and Fire Engine Availability On-Call Shift Systems. The report included further analysis and actions to improve performance in these areas.

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 Community Risk Management Plan.

In previous years the Authority considered an annual comparison against a 'family' group of similar sized fire authorities which compiled from Home Office data and shared with fire authorities. However the National Fire Chiefs Council (NFCC) has commenced a project in 2022 to examine Family Group data to provide improved benchmarking information. The Authority await the outcomes from the NFCC project.

## Working with others

The Authority is part of the Blue Light Collaboration (BLC) which works with other emergency services across Lancashire. The BLC is made up of Lancashire Fire and Rescue (LFRS), Lancashire Constabulary (LanCon), and North West Ambulance Service (NWAS) and meet at both tactical and strategic levels. Through these meetings the collaboration board have agreed and signed a strategic statement of intent. The aim is for the organisations to work together to explore opportunities for future collaboration.

The board meeting in September 2022 considered five projects areas covering Estates and Co-location, Leadership Development, Command Units, Missing Persons and First Responder. The objectives are to improve efficiency, effectiveness and deliver improved outcomes in these areas.

As reported in 2020/21 the Authority is also one of four 25% shareholders in North West Fire Control Limited (NWFC), a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region covering Cumbria, Lancashire, Greater Manchester and Cheshire. Every six months a representative from NWFC reports to the LCFA Performance Committee on analysis of dispatching calls and incident response.

The HMICFRS Inspection commented positively that LFRS works well with other organisations. It reported the service has good arrangements in place to respond to emergencies with other partner organisations that make up the Lancashire local resilience forum (LRF). These arrangements include working with other organisations to prepare multi-agency response plans for high-risk sites.

It noted the service is a valued partner and is represented in the LRF's strategic and tactical co-ordinating groups and sub-groups. Its response to the pandemic has strengthened its relationship and reputation within the LRF. The inspection also commented LFRS works well with other fire services and has a cross-border exercise plan with neighbouring fire and rescue services so that they can work together effectively.

HMICFRS also noted LFRS is effective at working with others, but could do more evaluation. The inspection found that the service monitored, reviewed and evaluated the benefits and results of some of its collaborations, but not all of them. Some collaborations haven't been evaluated to establish the benefits they offer and whether they are providing value for money. As a result, this remains an area of improvement for the service.

# Improving economy, efficiency and effectiveness

## Emergency Cover Review (ECR) 2023/2026

Lancashire Fire Authority undertake periodic Emergency Cover Reviews to ensure its emergency response is efficient and effective and well placed to respond to future challenge. It is an integral part of the Service's Risk Management Framework as detailed within the Community Risk Management Plan. The ECR 2023 to 2026 was endorsed by the Authority in December 2022 following a period of consultation and feedback which was incorporated into the final proposals. Key proposals are depicted in the image.

## Community risk management plan (CRMP) 2022/27

The National Fire Chiefs Council (NFCC) issued an Integrated Risk Management Plan (IRMP) best practice guidance document in June 2021.

In response the Authority updated the previous IRMP 2017-22 to be fully compliant with this guidance. It was renamed as the CRMP in line with national terminology and to provide a more engaging and identifiable strategy to the people of Lancashire. The CRMP sets out the Authority's strategic focus and medium term ambitions to make Lancashire safer over a five year period.

The approval of the CRMP in February 2022 followed a 10 week consultation period from July to September 2021 with local communities and stakeholders. Matters consulted on included:

- whether the plan identifies the greatest risks to the communities and people of Lancashire;
- identifying any unmet need;
- measures in place to mitigate and respond to risk; and
- the plan's overarching aim and priorities.

Consultation was conducted in line with the Authority's consultation strategy and feedback was used to guide the final plan. In addition the Annual Service Plan sets out the activities the Authority will undertake to deliver the strategy set out in the CRMP. The current plan for 2022-23 was approved this year and can be found on the Authority website.

HMICFRS commented positively the service has improved consultation with the public and internal and external interested parties about its community risk management plan.

### EMERGENCY COVER REVIEW

## FIT FOR THE FUTURE

We plan to improve emergency response in line with new and emerging risks in Lancashire in the following ways:



- 1. INTRODUCE MORE RESILIENT AND FLEXIBLE CREWING ARRANGEMENTS.**
- 2. OPTIMISE EMERGENCY COVER THROUGH DYNAMIC COVER SOFTWARE.**
- 3. STRENGTHEN OUR RESPONSE TO CLIMATE CHANGE EMERGENCIES:**
  - Invest in fire appliances with off-road capabilities in areas at risk of wildfires and flooding.
  - Introduce specialist flood water incident management.
- 4. STRENGTHEN FIREFIGHTING AND RESCUE CAPABILITIES IN HIGH-RISE AND COMMERCIAL BUILDINGS:**
  - Introduce a 45m aerial ladder platform into our fleet, our highest reach aerial capability to date.
  - Invest in two additional water tower appliances.
- 5. BROADEN ON-CALL FIREFIGHTING CAPABILITIES TO STRENGTHEN OPERATIONAL RESPONSE.**



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# Improving economy, efficiency and effectiveness

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## Procurement

As noted in 2020/21 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 current Procurement Strategy covers the period 2018/2021 with the Authority awaiting the outcome from the Government's green paper 'Transforming Public Sector Procurement' in December 2021 to inform future Procurement Strategies. The proposals are to streamline and simplify the complex framework of regulations that currently govern public procurement. The existing procurement strategy was therefore approved for roll forward to 2022/23.

## 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.

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	<b>Financial sustainability</b> The Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund Reserves below the minimum level.	Improvement	November 2021	Recommendation agreed.	See 2021/22	Yes recommendation raised in 2021/22
2	<b>Governance</b> Within the Corporate Risk Register we recommend each risk is mapped to the relevant corporate objective. This will enable better scrutiny of which corporate objectives are most at risk.	Improvement	November 2021	The Authority disagreed with this recommendation as many of the risks span across more than one objective.	No	Improvement recommendation stands
3	<b>Governance</b> The Authority should remove discharged risks from the Corporate Risk Register to help members focus on remaining risks.	Improvement	November 2021	The Authority disagreed with this recommendation. Their view is the inclusion of discharged risks shows these have been considered and does not impact on members focusing on live risks.	No	Improvement recommendation stands
4	<b>Governance</b> A gap was identified in members declarations of interest in 2020/21. The Authority should therefore examine the adequacy of procedures to ensure declarations are complete.	Improvement	November 2021	Recommendation agreed.  No identified issues in 2021/22.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the Authority's financial statements on 30 November 2022.

## Audit Findings Report

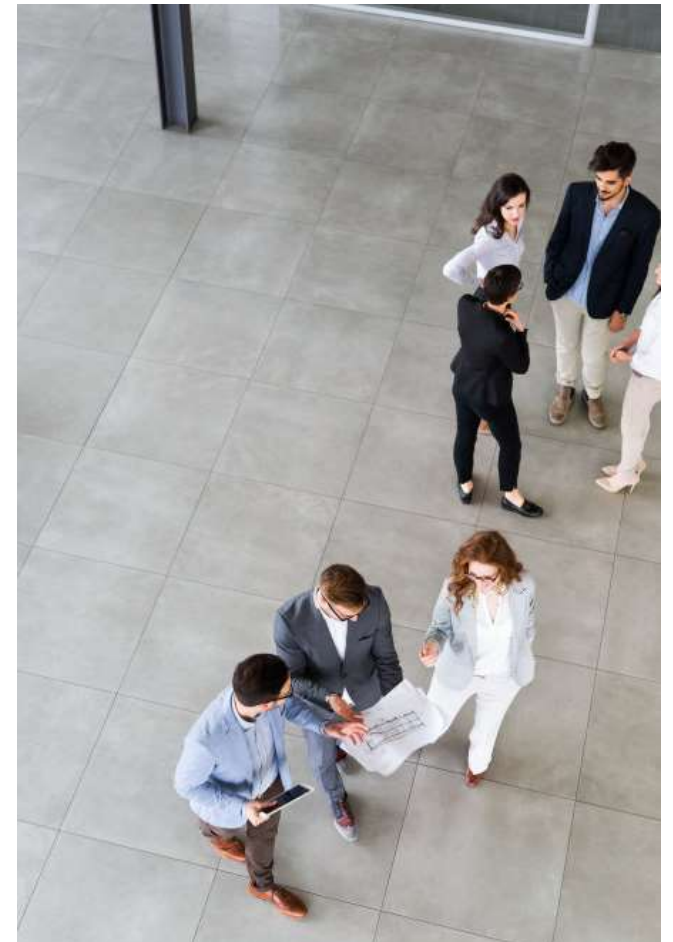
More detailed findings can be found in our AFR, which was published and reported to the Authority's Audit Committee on 29 November 2022.

## Preparation of the accounts

The Authority produced draft accounts in mid- August 2022 in line with our agreed deadline and provided a good set of working papers to support them.

## 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 Authority

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 Fire Service 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 – An explanatory note on recommendations

A range of different recommendations can be raised by the Service’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
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 Service. We have defined these recommendations as ‘key recommendations’.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Service, but are not a result of identifying significant weaknesses in the Service’s arrangements.	Yes	11,12



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## Lancashire Combined Fire Authority Audit Committee

Meeting to be held on 28 March 2023

### Risk Management (Appendix 1 refers)

Contact for further information:

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

*Table 1 Executive Summary and Recommendations*

<p><b>Executive Summary</b></p> <p>The report highlights action taken in respect of corporate risk since these were last reported to the Audit Committee.</p> <p><b>Decision Required</b></p> <p>The Committee is asked to note the actions taken and endorse the revised corporate risk register.</p>
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### Information

The latest review of the corporate risk register has not identified any new risks which warrant consideration for inclusion on the corporate risk register: -

#### Existing Risks

Of the existing risks 15 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below: -

*Table 2 Summary of Corporate Risk Register Changes*

		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 Retained Duty System pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget	Whilst the Local Government Finance Settlement only covered one year (2023/24) the £5 flexibility provided in respect of council tax increases has enabled the Authority to set a balanced budget. Looking beyond 23/24, the policy statement that accompanied the finance settlement stated "The core settlement will continue in a similar manner for 2024-25. The major grants will continue as set	Remains at 12	Medium

		<p>out for 2023-24: Revenue Support Grant will continue and be uplifted in line with Baseline Funding Levels". We have therefore assumed that the settlement funding assessment will grow in line with inflation in 24/25 (assumed to be 5.0%) and thereafter by 2.0% (the Government's inflation target). Based on this the Medium Term Financial Strategy showed the Authority having a funding shortfall in future years, but these could be met by additional savings and drawdown of reserves.</p>		
2	<p>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>	<p>A new Site Specific Risk Information (SSRI) document and tactical plan template has been developed based on best practice identified through National Fire Chiefs Council (NFCC) and Tyne and Wear Fire and Rescue Service (TWFRS). Our Digital Transformation Team are looking at the feasibility/ impacts of altering the current SSRI form to the proposed new template and documents. Training packages have been developed by our Protection Teams, including a crew training package for this year's crew training day, a 5-day initial course for new recruits, and a suite of modules for staff. These packages have been designed to cover the PORIS methodology in terms of identifying the features present within the built environment that present a risk and understanding the need to capture this information accurately. The Service have introduced Built Environment Risk Management (BERM) Officers. The role is being shaped to include reviewing SSRIs for high-risk premises when they go into interim measures and to</p>	Remains at 9	Medium

		<p>initiate new SSRIs for high-risk premises that come to protection through the planning process. The Mobile Data Terminal (MDT) replacement will be tested to see the interoperability with the current SSRI forms as well as the proposed new template and tactical plan. Following a meeting with the NFCC Content Officer Technical Policy and Implementation Team Mark Hodges, REP have explored best practice in terms of policy for PORIS and have identified TWFRS' approach to be National Operational Guidance (NOG) compliant, and provides more clarity of the process, particularly around risk scoring which is an area that was identified from initial feedback as needing improving. Operational Assurance Officers to continue to monitor and report on the use of SSRIs at incidents.</p>		
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities	Following the agreement of the grey book pay award for 22/23 and 23/24 the likelihood of industrial action has reduced significantly.	Reduce to 9	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 30/11/23	9	Medium

7	Failure of key ICT systems resulting in disruption to services.	No change, not due to report till 30/11/23	9	Medium
8	Loss of corporate reputation through negative publicity	Continued awareness and training around the use of social media and messaging apps, including delivery of sessions to staff with HR. Media training continues to be delivered. On-going monitoring and reporting of all forms of communications.	Remains at 9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	<p>The number of vacancies within On Call (OC) has increased this year, as recruitment has not matched leavers, leading to a reduction in availability. OC review continues to identify and make proposals across the function aimed at improving recruitment and retention</p> <p>Key activity includes;</p> <ul style="list-style-type: none"> <li>• On Call Support Officer (OCSO) review and recruitment – increased the OCSO No's to 7, developed their role to incorporate delivering recruit training to establish relationships and awareness of recruit skills</li> <li>• Enhanced coordination between OCSO Team Leader, HR, and Corporate communications on recruitment targeting</li> <li>• Development of wholtime "Have a Go" events to showcase OC role at targeted stations</li> <li>• Changes to development requirements, circa 50% reduction in evidence requirements</li> <li>• Amended approach to entry requirements (from other FRS's)</li> </ul>	Increase to 16	High

		<p>Further related activity;</p> <ul style="list-style-type: none"> <li>• Creation of a dedicated OC Station Manager role to maintain progress momentum and coordination of various workstream</li> <li>• DCFO now National lead for OC</li> <li>• NJC workstream on remuneration for OC initiated, to be completed within 8 months, (LFRS to await these proposals)</li> </ul> <p>Look forward, plans for OC SM to review/develop;</p> <ul style="list-style-type: none"> <li>• Turn in / out arrangements</li> <li>• Maintenance of skills (level of demand)</li> <li>• Employer engagement</li> </ul>		
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 March 2022, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor. Following external audit, any 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. LFRS has committed to maintaining the external ISO standards for H&S and Environmental risks with the next external audit due to take place in March 2023	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	The CorVu replacement will deliver against the new suite of KPIs, the Records Management Terms of Reference have been written and the Records Management Officer has been appointed to progress this work. The Performance Management and HMICFRS data work will now be stand alone projects (separate from the CorVu replacement project) with its own Terms of Reference and the dept. resources are increasing to deliver against this work.	Remains at 9	Medium
14	Delayed mobilisation, impacting on service delivery	No change, not due to report till 30/11/23	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 30/11/23	9	Medium

18	Inability to maintain service provision in spare 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 30/11/23	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	Command software contract has been awarded to 3tc. Response and Emergency Planning are building software with ICT. Small command unit now being fitted out. This will test all the software. New software will be installed on all new MDT's.	Remains at 9	Medium
21	Risk of rapid external fire spread in high rise premises resulting in a major incident	No change, not due to report till 30/11/23	10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	A statement of intent has been created and signed by all blue light strategic leads. A meeting structure is in place, with both strategic and tactical meetings being held on a quarterly basis. Through this process, 5 initial projects have been agreed and are being progressed. They are: 1. Missing persons, 2. Site sharing, 3. Community first responding, 4. Leadership development, 5. Command units. The progress of these projects is reported into the strategic meeting and a high level overview report is provided to the CFA Planning Committee.	Remains at 9	Medium
23	Lack of leadership capacity impacting on delivery of services	No change, not due to report till 30/11/23	9	Medium
24	Insufficient preparation for inspection programme leading to opportunities	Previously discharged		

	being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness			
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 30/11/23	16	High
27	Increase in costs and administration associated with changes to pensions	No change, not due to report till 30/11/23	16	High
28	Discontinued or long-term malfunction in the KPI management software product (CORVU)	The CorVu replacement project will deliver against the new suite of KPIs, with the first set of KPIs due to go live in April. The existing platform has stabilised, providing re-assurance about its longevity pending full roll out of the replacement system.	Remains at 6	Low
29	High levels of staff absence due to pandemic.	Given the reductions in absence due to the pandemic it is proposed to reduce this risk to a low risk.	Reduce to 8	Low
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	The increase in course duration for Emergency Response Driver Training will commence from April 2023 as the mandatory contact time will increase. However, this will be partially offset by the trainer to student ratio being changed. The Driver Training department establishment has already been increased by an additional full time Driver Trainer to manage the existing demand. To provide flexibility, particularly for On Call staff, consultation and dialogue has taken place through the On-Call Practitioners Group. The courses will be split	Remains at 12	Medium



		<p>into weekly modules with options for a two week back to back course of one week, followed by a second week within a three month period.</p> <p>A review of driver trainer contracts is currently underway. We will monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances</p>		
31	Increase in costs associated with major Property projects due to changes in Building Regulations	No change, not due to report till 30/11/23	12	Medium
32	Increase in energy costs	<p>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 will continue to review the introduction more of energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).</p> <p>The 23/24 budget for energy has been increased to reflect current prices.</p>	Remains at 10	Medium
33	Removal of DCP/Outcome of Emergency Cover Review (ECR).	The ECR was approved by the CFA in December 2022, and is reflected in the MTFs. The implementation of the recommendations will take place over the next 2 years, starting with engagement sessions with affected station based staff (these have already commenced).	Reduce to 12	Medium
34	Future of NWFC	No change, not due to report till 30/11/23	12	Medium
35	Outcome of the White Paper impacting on Governance arrangements	No change, not due to report till 30/11/23	9	Medium
36	Increase in pay costs	The 23/24 budget allowed for pay awards of 5%.	Reduce to 6	Low

		This is in line with the agreed pay award for grey book and exceeds the pay offer for green book. Hence is considered sufficient to meet future costs.		
37	Cyber Security	No change, not due to report till 30/11/23	15	High

### **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**

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/A

CORPORATE RISK REGISTER

Mar-23

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.	We had previously anticipated a new 4-year Spending Review being published, however due to uncertainty this has been delayed. As such 22/23 is a one-year settlement, with a multi-year settlement anticipated later this year. 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. Whilst the Local Government Finance Settlement only covered one year the £5 flexibility provided in respect of council tax increases has enabled the Authority to 'right size' the budget and puts the Authority in a better position to meet future financial challenges. The MTFS showed the Authority being able to set a balanced budget over the next 5 years, assuming funding increased by 1% per annum, future council tax referendum limits were maintained at 2%, and assuming pay awards were 2% each year. Obviously if any of these assumptions are wrong the financial position will be more challenging	4	4	16	Whilst the Local Government Finance Settlement only covered one year (2023/24) the £5 flexibility provided in respect of council tax increases has enabled the Authority to set a balanced budget. Looking beyond 23/24, the policy statement that accompanied the finance settlement stated "The core settlement will continue in a similar manner for 2024-25. The major grants will continue as set out for 2023-24; Revenue Support Grant will continue and be uplifted in line with Baseline Funding Levels". We have therefore assumed that the settlement funding assessment will grow in line with inflation in 24/25 (assumed to be 5.0%) and thereafter by 2.0% (the Governments inflation target). Based on this the MTFS showed the Authority having a funding shortfall in future years, but these could be met by additional savings and drawdown of reserves	31/03/2024	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.	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. LFRS will undertake incident pre planning and the gathering of operational risk information to enable: *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. 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.) All known high risk premises are recorded on the system.	3	3	9	A new SSRI document and tactical plan template has been developed Our Digital Transformation Team are looking at the feasibility of altering the current SSRI form to the proposed new template and documents. Training packages have been developed by our Protection Teams, including a crew training package for this year's crew training day, a 5-day initial course for new recruits, and a suite of modules for staff. The Service have introduced Built Environment Risk Management (BERM) Officers. The role is being shaped to include reviewing SSRIs for high-risk premises when they go into interim measures and to initiate new SSRIs for high-risk premises that come to protection through the planning process. Operational Assurance Officers to continue to monitor and report on the use of SSRIs at incidents.	31/03/2024	HoSD	DoSD	Serv Delivery
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	3	9	Following the agreement of the grey book pay award for 22/23 and 23/24 the likelihood of industrial action has reduced significantly.	31/03/2024	HoSDD	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
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				
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, Operational Assurance Officers are mobilised to provide additional assurance at incidents that meet specific criteria, broadly when the risk to FF's is increased. For example this includes operational discretion and critical incidents. TOR continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training, monthly performance reports are sent to HoSD. TOR trainers are skill graded to ensure they operate consistently in terms of identifying training needs.	30/11/2023	HoTOR	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar-23

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.	Resilience, backup and recovery measures all consistently evolving to respond to changing threat and vulnerability profiles. Asset replacement policy in place, regularly reviewed. Upgraded firewall's in place to provide perimeter defence, with enhanced email gateway, anti-virus, device control (USB) and removeable HDD encryption measures also rolled out. Windows 10 & Office 365 now rolled out. Patch and update policy in operation to ensure servers and workstations are up to date with latest security developments. Aggressive vulnerability scanning and remediation procedures now in place, regular security reviews and threat intelligence awareness with partner agencies and NCSC feeds. Modern Wide Area Network (WAN) to all administrative and operations sites now in play with improved outbound bandwidth available through Virgin managed internet access. Storage Area Network (SAN) data, infrastructure and all essential servers replicated to the disaster recovery site at STC. 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, improved resilience in mobilising infrastructure at NWFC.	3	3	9	Complete migration of users mailboxes to 365. Achieve Cyber Essentials Plus. Identify pathway to Azure migrate for data, storage & infrastructure. Exploit cloud based security controls and increase secure score across subscriptions. Deploy Canary early penetration warning Implement IDS / IPS defence Identify and deploy most suitable SIEM solution Monthly data backups to offline storage with air-gap	30/11/2023	HoICT	HoICT	Strategy & Planning
8 Loss of corporate reputation through negative publicity.	Warning and informing communications toolkit and business continuity plan covers all aspects of risk including emergencies and broader reputational risk. Plan regularly tested during exercises. The communications department also plays a leading role in the Lancashire Resilience Forum warning and informing cell in relation to multi-agency emergency communications, training and 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. Updated guidance on corporate use of social media has recently been published and Teams training sessions are due to be offered to any staff who wish learn more. New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy. 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 and reputational issues are managed through the executive board. The photography, film and graphic design service order was updated in 2021 and covers the policy on image use.	3	3	9	Additional capacity has been built into Corporate Comms. Training continues to be delivered. On-going monitoring and porting of all forms of communications.	31/03/2024	HoCC	HoCC	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
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.	4	4	16	OC review initiated to identify and make proposals across the function aimed at improving recruitment and retention Key activity includes; •OCSO review and recruitment – increased the OCSO No's to 7, developed their role to incorporate delivering recruit training to establish relationships and awareness of recruit skills •Enhanced coordination between OCSO TL, HR, & Corp comms on recruitment targeting •Development of wholetime "Have a Go" events to showcase OC role at targeted stations •Changes to development requirements, circa 50% reduction in evidence requirements •Amended approach to entry requirements (from other FRS's) Further related activity; •Creation of a dedicated OC SM role to maintain progress momentum and coordination or various workstream •DCFO now National lead for OC •NJC workstream on remuneration for OC initiated, to be completed within 8 months, (LFRS to await these proposals) Look forward, plans for OC SM to review/develop; •Turn in / out arrangements •Maintenance of skills (level of demand) •Employer engagement	30/11/2023	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 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				
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				

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	3	3	9	In March 2022, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	31/03/2024	HoSHE	HoSHE	People & Development
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.	3	3	9	Following external audit, any non-conformances and opportunities for improvement are collated	31/03/2024	HoServ Develop	DoSP	Strategy & Planning
14	Delayed mobilisation, impacting on service delivery.	3	3	9	LFRS has committed to maintaining the external ISO standards for H&S and Environmental risks	30/11/2023	HoServ Develop	DoSP	Strategy & Planning
15	High levels of staff absence due to outbreak of Ebola.	1	4	4	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
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"> <li>• remain as we are</li> <li>• move towards a PCC</li> </ul>	2	3	6	Discharged				
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>	30/11/2023	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	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 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. The enhancement of staff PPE with provision of flood suits and associated training is complete. 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.	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	Digital Transformation team now in place to address horizon scanning and new tech introduction. Digital Strategy now published to provide a roadmap for technical enabling of key organisational strategies. 7 digital themes agreed to drive innovation and enhance digital capacity throughout the service. Revised programme board structure to provide key project and digital initiative oversight. A number of new products and data introduced using digital by default, cloud first technology with several more now agreed and in pipeline / flight.	3	3	9	Complete refreshed ICT strategy for publication. Agree apprentice onboarding process. Compile options paper for Exec for modern ICT / DT / SDD approach and supporting departmental structures Initiate and mature Community Developer concept Progress innovative partnerships to augment capacity through collaboration Continue to skill-up, train and educate users	30/11/2023	HoICT	DoSP	Strategy & Planning
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	Command software contract has been awarded to 3tc. Response and Emergency Planning are building software with ICT. Small command unit now being fitted out. This will test all the software. New software will be installed on all new MDT's..	31/03/2024	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
21 Risk of rapid external fire spread in high rise premise resulting in a major incident	<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> <p>Thematic Operational Assurance for high rise has been completed, which consisted of 15 audits covering all duty systems and areas across LFRS. Incident command training now covers more in-depth awareness of external fire spread and tactical considerations. Regional high rise exercises involving staff from LFRS have been completed in 2022.</p> <p>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&amp;P and GMs for Prevention and Protection. 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 training for responding to high rise incidents..</p>	2	5	10	<p>Following the introduction of a dedicated AM Prevention and Protection along with GM for Protection the Protection function has undergone a second stage of transformation which saw the introduction of Built Environment and Ops Liaison Officers (centrally managed) to implement the requirements of the Building Safety Regulator, manage premises in Interim Measures and oversee the life span of high risk, high risk premises.</p> <p>The legislation introduced following the initial Building Risk Review work has now come in to force with training provided to all Inspecting Officers and Operational crews. The BEOLT continue to work with Responsible Persons to understand their external wall systems and their prioritisation of replacement in line with the NFCC Fire Risk Assessment Prioritisation Tool for wall systems. The risk of external wall systems contributing to significant fire spread remains and will do so for some time to come due to unprecedented demand on competent professionals to undertake wall surveys, the need to raise significant funds and the availability of products.</p> <p>Regional high rise exercises involving staff from LFRS is planned for Q3 and the learning will be shared.</p>	30/11/2023	HoP&P	DoSP	Strategy & Planning
22 Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	<p>Well-developed relationships with Lancashire Constabulary and NWSA</p> <p>Regular meetings to discuss issues/opportunities</p> <p>Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc.</p> <p>Statement of Intent agreed and signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary</p> <p>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 NWSA 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.</p>	3	3	9	<p>3 core projects to be progressed to scope report status:-</p> <ul style="list-style-type: none"> <li>• multi officer role</li> <li>• response arrangements</li> <li>• public order training at Washington hall</li> </ul> <p>Further roll out of EMR is dependent upon outcome of national pay negotiation</p> <p>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.</p>	31/03/2024	HoTOR	DoSP	Strategy & Planning

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		D	D							
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	3	9	The Service continues to offer leadership development to supervisory and middle managers. The identification of talented individuals and the creation of a development pathway is currently ongoing at a local level to ensure that there are suitably qualified competent staff to fill future leadership positions. A revised grading structure has been implemented for Green Book employees which should aid recruitment and retention	30/11/2023	HoHR	DoPD	People & Development
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	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	5	Discharged				
26 Increase in costs of and/or lack of availability of goods and services, following Brexit or arising from the war in Ukraine	We are continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. Costs continue to increase reflecting inflation, with many items increasing at a much higher rate, energy being the most significant of these, where costs have more than doubled in the short term we will need to drawdown reserves in order to deliver a balanced budget. We are still continuing to see extended lead times on the majority of items, as an example LGV fleet vehicle lead times for chassis deliveries are currently 12-18 months.	4	4	4	16	We continue to monitor impact, and will incorporate increases in our draft MTFs, as well as reviewing our level of reserves specific to this risk. We continue to assess level of contingencies required on all major projects, as a result of this.	30/11/2023	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"> <li>•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</li> <li>•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)</li> </ul> <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 completed the necessary actions for backdating the payment of increased benefits and measures are in place to collect amended contributions.</p> <p>As a result of guidance from the Home Office, the National Scheme Advisory Board and the LGA that the proposed Immediate Detriment remedy was not confirmed and carried financial risk to both the Fire Authority and individuals concerned, the Service has paused its actions awaiting both clarification and/or a new ID framework before proceeding. It is possible that the issue cannot be resolved until the Governments formal proposal for resolution is enacted in October 2023</p> <p>We have set up our own Pension Team to support these exercises who are progressing the various strands but the extent of the changes and complications are extremely resource intensive.</p> <p>We are liaising with our Pension Provider on costs and timescales for undertaking the work</p> <p>We are liaising with Govt via LGA about meeting the costs of the administrative burden (some funding has been made available for this) and the additional net pension costs</p>	30/11/2023	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>The CorVu replacement project will deliver against the new suite of KPIs, with the first set of KPIs due to go live in April.</p> <p>The existing platform has stabilised, providing re-assurance about its longevity pending full roll out of the replacement system.</p>	31/03/2024	HoSDD	DoSP	Strategy and Planning
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 &amp; 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.</p> <p>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>	2	4	8	<p>Significant reductions in absence due to the pandemic. Continue to monitor situation</p>	31/03/2024	HoSDD	DoSP	Strategy and Planning

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		D	S							
30 Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	A new Fire Standard for Emergency Response Driver Training has been published. This requires more training for new drivers within the sector, requiring: - • 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. 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.	3	4	4	12	The increase in course duration for Emergency Response Driver Training will commence from April 2023 as the mandatory contact time will increase. However, this will be partially offset by the trainer to student ratio being changed. The Driver Training department establishment has already been increased by an additional full time Driver Trainer to manage the existing demand. To provide flexibility, particularly for On Call staff, consultation and dialogue has taken place through the On-Call Practitioners Group. The courses will be split into weekly modules with options for a two week back to back course of one week, followed by a second week within a three month period. A review of driver trainer contracts is currently underway. We will monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances	31/03/2024	HoTOR	DoSP	Strategy and Planning
31 Increase in costs associated with major Property projects due to changes in Building Regulations	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. 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. Whilst contingences are included in major contracts these may not be sufficient to meet future requirements	3	4	4	12	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. 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.	30/11/2023	HoProp	DoCS	Corp Serv
32 Increase in energy costs	The service currently spend 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. As a result the budget has been increased by £100k.	5	2	2	10	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 will continue to review the introduction more of energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades). The 23/24 budget for energy has been increased to reflect current prices.	31/03/2024	HoProp	DoCS	Corp Serv
33 Removal of DCP/Outcome of Emergency Cover Review (ECR).	There is a risk that the Emergency Cover Review is unable to identify suitable and affordable alternative duty systems for the DCP stations.	3	4	4	12	The ECR was approved by the CFA in December 2022, and is reflected in the MTFs. The implementation of the recommendations will take place over the next 2 years, starting with engagement sessions with affected station based staff (these have already commenced).	31/03/2024	HoSDD	DoSP	Strategy and Planning
34 Future of NWFC	The Deputy Mayor of Greater Manchester had written to the Chairs of other constituent Fire Authorities (Cumbria, Cheshire and Lancashire) advising of their intent to review existing arrangements at NWFC. The outcome of this will not be known for some time, but clearly this may have a longer-term impact on the future of NWFC and therefore how the Authority discharges the function	3	4	4	12	Continue to monitor the situation	30/11/2023	HoSDD	DoSP	Strategy and Planning
35 Outcome of the White paper impacting on Governance arrangements	The Government was consulting on its proposals to reform the fire sector in England which included the potential to transfer fire functions to a single elected individual. Once the outcome was known it may impact on governance and therefore needed to be on the risk register for awareness.	3	3	3	9	Continue to monitor the situation	30/11/2023	Clerk	Clerk	Clerk

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36 Increase in pay costs	Pay awards were separately set nationally for green and grey book staff and a 2% award had been estimated in the budget. A pay offer of 5% has been made by the employers in respect of grey book pay. The FBU has recommended that their members reject this offer, and at the time of writing we were awaiting the outcome of this. A pay offer of £1925 per FTE had been made by the employer in respect of green book pay. Unison had accepted the offer however at the time of writing Unite and GMB were awaiting the outcome of their consultations. Both these offers significantly exceed the budget provision and would therefore lead to significant cost pressures in the current and future years budgets.	3	2	6	The 23/24 budget allowed for pay awards of 5%. This is in line with the agreed pay award for grey book and exceeds the pay offer for green book. Hence is considered sufficient to meet future costs.	31/03/2024	DoCS	DoCS	Corp Serv
37 Cyber Security	The Cyber Security threat landscape has changed significantly, which has been witnessed globally, regionally and across multiple emergency services and local authorities. Best practice standards set by the National Cyber Security Centre (NCSC) have adapted according to the change in the threat landscape, which means it's far more challenging to remain compliant. The necessary adoption of cloud based services has effectively more than doubled our attack vector. Government organisations are routinely and relentlessly targeted: of the 777 incidents managed by the National Cyber Security Centre between September 2020 and August 2021, around 40% were aimed at the public sector. This upward trend shows no signs of abating.	3	5	15	We have achieved the Cyber Essentials Plus certification, which must be refreshed every 12 months. The next re certification involves the prompt replacement of aging hardware/software as well as bringing in scope remote working, Wi-Fi security as well as several other areas which have previously been out of scope. The e-mail systems have been fully refreshed and we are going to be migrating all mailboxes to 365 for even better security and feature enhancements. A Cyber Security Strategy and subsequent options papers has been drafted and will be circulated around Exec board which covers what areas required investment. They include things like additional managed services to assist with monitoring the environment, Investment in next generation perimeter defences such as next generation Firewalls and changed to working practice, such as enforcing more secure password and multi factor authentication. We have been aligning with the National Cyber Security Centre best practice security framework and will continue to do so as that develops.	30/11/2023	HoICT	HoICT	Strategy & Planning

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				<b>37</b>	
HIGH				5	
MEDIUM				20	
MEDIUM/LOW				9	
LOW				3	Discharged
				<u>37</u>	

31/03/2024	14
31/03/2023	0
31/07/2023	0
30/11/2023	14
	9
	<u>37</u>

- Scores**
- |                               |                              |
|-------------------------------|------------------------------|
| <b>Likelihood</b>             | <b>Impact</b>                |
| 5 Certain, see next sheet     | Minor, see next sheet        |
| 4 Very Likely, see next sheet | Noticeable, see next sheet   |
| 3 Likely, see next sheet      | Significant, see next sheet  |
| 2 Unlikely, see next sheet    | Critical, see next sheet     |
| 1 Rare, see next sheet        | Catastrophic, see next sheet |