

Public Document Pack

Lancashire Combined Fire Authority Audit Committee

Thursday, 28 March 2024 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 - 8)**
4. **Statement of Accounts 2022/23 (Pages 9 - 86)**
5. **External Audit - Letter of Representation (Pages 87 - 92)**
6. **External Audit - Audit Findings Report (Pages 93 - 136)**
7. **External Audit - Auditors Annual Report 2022/23 (Pages 137 - 174)**
8. **Internal Audit Monitoring Report (Pages 175 - 184)**
9. **Internal Audit Plan 2024/25 (Pages 185 - 200)**
10. **Risk Management (Pages 201 - 240)**
11. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **25 July 2024** in the Main Conference Room, Service Headquarters, Fulwood.

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

12. 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.

13. 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

14. 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, 28 November 2023, at 10.00 am in the Main Conference Room,
Service Headquarters, Fulwood.**

Minutes

Present:	
Councillors	
J Shedwick (Chair)	
N Hennessy (Vice-Chair)	
S Clarke	
F Jackson	
M Salter	
J Singleton	

Officers
S Brown, Director of Corporate Services (LFRS) J Meadows, Head of Finance (LFRS) A Latham, Financial Accountant (LFRS) E Hardman, Management Accountant (LFRS) L Barr, Member Services Officer (LFRS)
In attendance
G Jones, External Audit, Grant Thornton A Dalecki, Internal Audit, Lancashire County Council L Rix, Internal Audit, Lancashire County Council I Winston, Internal Audit, Lancashire County Council

12/23	Apologies for Absence
	Apologies for absence were received from County Councillor Munsif Dad BEM.
13/23	Disclosure of Pecuniary and Non-Pecuniary Interests
	None received.
14/23	Minutes of the Previous Meeting
	Resolved: - That the Minutes of the last meeting held on 25 July 2023 be confirmed as a correct record and signed by the Chairman.

15/23	External Audit - Addendum to the Annual Audit Plan
	The Chair welcomed new County Councillor Matthew Salter to his first Audit Committee meeting. Jacque Meadows, Head of Finance, introduced new members of the Finance Team Adam Latham, Financial Accountant, and Emma Hardman, Management Accountant, who were in attendance to observe the meeting. Georgia Jones, Key Audit Partner, Grant Thornton presented the report for the Addendum to the Audit Plan to the meeting. It was noted that the external auditors had identified an additional risk to the audit plan which had been agreed by the Audit Committee on 25 July 2023. The additional risk related to incomplete or inaccurate information transferred to the new general ledger hosted by Lancashire County Council (LCC) which would require additional work in order to respond to the risk. In January 2023, Lancashire Fire and Rescue Service moved from using Oracle E-Business Suite (EBS) ledger system to Oracle Fusion, which was a cloud-based system. Lancashire County Council hosted the Oracle Fusion system on behalf of LFRS and processed employee, supplier, and customer personal and financial data. It was important when implementing a new significant accounting system that sufficient controls were in place to ensure the integrity of the data. There was also a risk over the completeness and accuracy of the data transfer from the previous ledger system and potential challenges in producing robust control account reconciliations and detailed transaction reports. LCC experienced problems with the data migration from the Oracle EBS to the Fusion system and there were also instances of data breaches. Therefore, it had been identified that the completeness and accuracy of the transfer of financial information to the new general ledger was a significant risk which was one of the most significant assessed risks of material misstatement. The additional work to respond to the risk included: - - completing an Information Technology (IT) environment review by IT specialists to document and evaluate the design and implementation of controls within the new general ledger system; and - map the closing balances from the previous ledger to ensure accuracy and completeness of the financial information. In response to a query from County Councillor Salter regarding the reason that migration to Oracle Fusion had not been identified as a significant concern at the Audit meeting in July, Georgia Jones explained that external audit were unaware of significant concerns in July and it was only when system controls were investigated that the concerns were found by IT on the control issues on the implementation of the new system. At the July meeting, the planning had been carried out and the reports had been drafted and so the November meeting had been the first

	opportunity for external audit to bring the update. County Councillor Singleton asked if additional costs relating to the addendum were included in the agenda. Georgia Jones advised that the item was related to the following year 2023/24 audit work, therefore once the current audit work had been completed, potential costs could be assessed, discussed with the Director of Corporate Services, and brought to the Committee for approval. Resolved: That the Committee noted and endorsed the report.
16/23	External Audit - Audit Findings Report
	Georgia Jones, Key Audit Partner presented the Audit Findings report to the Committee. 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. Georgia Jones advised that at the time of writing the report the audit work was substantially complete and there were two recommendations that were agreed by management listed below: - • a review of the fixed asset register to ensure excess depreciation was not charged against fully depreciated assets; and • to consider if the general ledger could be updated to include additional journal details which had now been implemented. The two recommendations and management responses were set out on page 26 of the report (page 46 of the agenda pack): - 1. "We recommend the Authority examine the fixed asset register to ensure excess depreciation is not charged against fully depreciated assets and correct this for future years." "The assets with a negative net book value will be corrected during 2023/24 and new procedures will be put in place to ensure assets are not depreciated beyond their cost or value in the future." 2. "We recommend the Authority looks into whether the system can be updated to include details of preparer/authoriser." "A new process was implemented towards the end of 2022/23 to record the journal preparer and approver. The approval of journals is required by Accountants, or more senior members of the Finance Team, and this is required to be saved within the journal file. A journal register records the unique journal reference, accounting period, preparer, and approver. This is reviewed to minimise the risk of self-authorisation on journal postings". The Value For Money (VFM) work had not yet been completed, however, a draft report had been issued the Auditors Annual Report was expected to be reported by

the end of the calendar year.

Georgia Jones informed that there were no matters of which they were aware that that required would require modification of the audit opinion or material change to the financial statements, subject to outstanding matters listed below: -

- responses from the pension fund auditor to gain assurance on underpinning controls and supporting data for the pension fund net liability;
- an international Financial Reporting Interpretation Committee (IFRIC 14) assessment from the actuary on the amount of pension fund asset (surplus) in the LGPS scheme;
- an update Government Actuary Department (GAD) report to reflect part year inflation for the valuation of the Firefighters pension fund (currently in discussion);
- completing testing on areas of land and buildings valuations, including an assessment of the impact of reinforced autoclaved aerated concrete (RAAC);
- completion of testing on the fair value of financial instruments;
- our Information Technology (IT) assessment on the data migration controls to the new Oracle Fusion system;
- receipt of management representation letter;
- review of the final set of financial statements; and
- final quality procedures.

Georgia Jones drew the Members attention to pages 8 (page 28 of the agenda pack) to 11 (page 31 of the agenda pack) which detailed significant risk which required special audit consideration, which were management override of controls (which was a mandatory risk for all audit and journal testing had been completed with nothing to report), improper revenue recognition, valuation of land and buildings, and valuation of pension fund net liability.

The Chair confirmed that the security of Oracle Fusion had now been enhanced by increasing the length of user passwords to a minimum of 16 characters.

County Councillor Salter asked if there had been a known issue with passwords in relation to password security for the Oracle Fusion database referenced on page 27 (page 47 of the agenda pack), Georgia Jones stated, last year, it had been identified that the password configuration was weak, and the strength could be improved which was then amended when the new ledger was implemented. The Chair added that, as the external auditors worked closely with LCC, it had led to early detection of the issues with the security of passwords.

County Councillor Salter inquired how the Committee would be updated when the VFM work had been completed. Georgia Jones explained that there would be a comprehensive report with more detail included in the External Auditors Annual Report with the potential for a meeting to be held before the March Committee to present the report.

County Councillor Singleton commented that, as referenced on Page 5 (Page 25 of the agenda pack), some local authorities had taken excessive risks by borrowing more than their revenue budgets whereas no areas of risk had been identified in

	the Service's Treasury Management activities. The Chair thanked Georgia Jones for her report. Resolved: - That the Committee: - i) Noted and endorsed the matters raised in the report; ii) Noted and endorsed the two recommendations and management responses on page 26 of the report.
17/23	External Audit - Letter of Representation As part of the year-end process the Authority was required to sign a letter of representation on completion of the audit. 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. It was noted that an additional representation had been included this year in relation to Reinforced Autoclaved Aerated Concrete (RAAC); that was identified in one building which had been highlighted to the auditor and the Service was not aware of any other property in its portfolio that was impacted by this issue. The Director of Corporate Services informed that he was requesting that the authorisation for the signing of the letter be agreed in principle. He proposed that a meeting of the Audit Committee be held before the planned meeting in March to receive the financial statements once adjustments had been made following the external audit, along with the Letter of Representation. The Committee agreed to defer the signing of the letter and the Treasurer confirmed he would sign the letter when there were no issues which he felt required disclosure following any further matters determined from the work by the auditors. In response to a query from County Councillor Singleton regarding a full breakdown of additional costs, Georgia Jones advised that the Final Audit Findings Report 2022/23 as well as the Letter of Representation would contain a full breakdown of the original agreed fee and any additional costs. Resolved: - That the Audit Committee authorised the signing of the letter by the Chair of the Audit Committee on completion of the audit.
18/23	External Audit Fees The Director of Corporate Services presented the External Audit Fees to Members which provided an update on the proposed audit fees from 2023/24 advised by Public Sector Audit Appointments Ltd (PSAA) following the appointment process reported to the CFA in December 2021. The CFA accepted the Public Sector Audit Appointments invitation to opt-in to the national scheme in December 2021. Following a process, the auditors Grant Thornton, were appointed for a further five years from 2023/24. The procurement

took place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system facing unprecedented difficulties including large volumes of delayed audit opinions.

The Committee was advised that in Autumn 2023, the PSAA would consult on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts and to expect increases of the order of 150% on the total fees for 2022/23.

Audit requirements had increased in recent years as a result of increased regulatory challenge, changes to the audit work required under the Code of Audit Practice and updated auditing and financial reporting standards. On the 19 September, the Chief Executive of the PSAA advised the Authority of the proposed fee for 2023/24 of £92,606; representing a 151% increase. Alongside this, the PSAA launched a consultation on the fee scales which the Service responded to.

The consultation on the 2023/24 fee scale was taking place at a time of change in the local audit system. The audit profession had been subject to high levels of scrutiny in recent years following several widely reported financial failures in the private sector and increase in reported Section 114 notices across the sector. It was noted that the 2023/24 auditor appointments and fee scale was due to be published on 30 November 2023.

The financial pressure would be included in the 2024/25 budget report to the Authority in February 2024.

The Director of Corporate Services thanked the External Audit Team for their work.

Georgia Jones, Key Audit Partner, Grant Thornton explained that the PSAA set the Audit fees which were also affected by an annual increase, changes in the regulatory environment, work for the valuation of land and buildings, and work around pension figures. New audit standards had been introduced such as ISA 315 regarding IT controls and ISA 240 concerning fraud which created additional work. Additionally, there were recruitment difficulties due to the specialist nature of the work and a limited number of accredited individuals who were able to sign-off accounts.

The Chair stated that external audit fees was something well-rehearsed in all councils and County Councillor Singleton who was present was the Vice-Chair for Audit Risk and Governance at Lancashire County Council.

County Councillor Singleton commented that discussions had taken place at Lancashire County Council regarding audit risk and governance in relation to increased fees. He acknowledged that audit specialism was becoming a scarce skill.

County Councillor Hennessy advised that she understood the background and history of audit and how the process had changed, affecting fees. Georgia Jones commented that Audit fees were currently lower than they were in 2011 when the Audit Commission ended.

	Resolved: That the Committee noted the proposed 2023/24 audit fees and response to the consultation.
19/23	Internal Audit - Monitoring Report
	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 11 November 2023 was presented by Laura Rix, Senior Auditor. Laura Rix introduced Ian Winston, Senior Auditor who had assisted with the work and would become more involved. To date, 22 days had been spent this financial year on completion of the 2023/24 plan, equating to 28% of the total planned audit activity of 80 days. The table in the report provided the current status of all audit work. One audit, Management of Change within LFRS, had been completed with substantial assurance. Since the report was written, the Equality Impact Assessment audit had been completed with substantial assurance which would show in the next report. District planning activity had also been completed and would be reported back to the Committee, and HR/payroll was currently in progress. Going forward, work was being progressed with Heads of Service with all work being completed by the end of the financial year. The audit plan would be proposed at the March Audit Committee. No areas of concern came to attention in conducting the assurance work to date that required bringing to the attention of committee members. In response to a request from County Councillor Hennessy for more detail on the Management of Change within LFRS audit, Laura Rix explained that the change was with how projects were managed across the Service, how the process was managed, if projects were being signed off, if benefits were realised and if Project Managers were trained. It was found to be positive, and projects were managed well. County Councillor Singleton queried if the remaining work would be completed by the end of the financial year given the number of days spent and the number remaining and asked for improved visibility. Laura Rix assured that the work would be completed and informed that going forward, she would add an extra column to the report for the quarter in which work would be completed. Andrew Dalecki, Head of Internal Audit added that with work of a financial nature, it was necessary to leave a period to allow transactions to go through. The Chair thanked the Internal Audit Team for their report. Resolved: That the Committee noted and endorsed the report.
20/23	Date of Next Meeting
	The next meeting of the Committee would be held on a date to be confirmed at

	10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.
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	Further meeting dates were noted for 28 March 2024, 25 July 2024 and 26 September 2024 and agreed for 28 November 2024.
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**LFRS HQ
Fulwood**

**M Nolan
Clerk to CFA**

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 March 2024

Statement of Accounts 2022/23

(Appendix 1 refers)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866804

Executive Summary

This report presents the Statement of Accounts for the financial year ended 31 March 2023. This includes the Authority's 25% share of the North West Fire Control accounts.

Recommendation(s)

The Committee is asked to approve the Statement of Accounts as presented and authorise the Chair of the Committee to sign these.

Information

The Combined Fire Authority's Statement of Accounts is attached as Appendix 1. The Authority must prepare and publish a Statement of Accounts annually. Its purpose is to give electors, local taxpayers, Fire Authority Members, employees, and other interested parties clear information about the Fire authority's finances.

The aim is to provide information on:

- The cost of providing Fire Authority services in the financial year 2022/23.
- How these services were paid for.
- What assets the Fire Authority owned at the end of the financial year.
- What was owed, to and by, the Fire Authority at the end of the financial year.

The **narrative report** gives a guide to the most important matters included in the Statement of Accounts.

This Statement of Accounts covers the financial year ended on 31 March 2023 (referred to as 2022/23). It has been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts contains:

Statement on Annual Governance Arrangements – Sets out the Authority's responsibilities regarding the system of internal control and corporate governance.

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority – The Auditor's report to the CFA on the accounts for 2022/23, which are set out in the sections shown below.

Statement of Responsibilities for the Statement of Accounts – Sets out the responsibilities of the Authority and the Treasurer with regards to the statement of accounts.

Comprehensive Income & Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Fire Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement In Reserves Statement – This statement shows the movement in year on the different reserves held by the Fire Authority analysed between usable and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Fire Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2023, including the level of balances and reserves at the Fire Authority's disposal, its long-term indebtedness and the value of the assets held by the Fire Authority.

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

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

Business risk

None.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

None.

Legal implications

None.

Local Government (Access to Information) Act 1985**List of background papers**

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

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Statement of Accounts

2022/23

Lancashire Combined Fire Authority

Statement of Accounts 2022/23

Contents

Narrative Report	1
Statement on Annual Governance Arrangements	8
Independent Auditor's Report.....	16
Statement of Responsibilities	17
Comprehensive Income and Expenditure Statement	18
Movement in Reserves Statements	19
Balance Sheet.....	21
Cash Flow Statement	23
Notes to the Core Financial Statements	24
1 Expenditure and Funding Analysis	24
1a Note to the Expenditure and Funding Analysis	25
2 Fire Authority Costs	27
3 Employees Emoluments	27
4 External Auditors Fees	29
5 Related Parties Transactions	29
6 Property, Plant & Equipment	30
7 Intangible Assets	34
8 Financial Instruments.....	34
9 Debtors.....	36
10 Cash & Cash Equivalents	36
11 Creditors.....	37
12 Provisions	37
13 Other Long-Term Liabilities.....	38
14 PFI Schemes	38
15 Net Liability Related to Local Government and Firefighters' Pensions Schemes	40
16 Usable Reserves	46
17 Transfers (to)/from Earmarked Reserves	47
18 Unusable Reserves	48
19 Contingent Liability	52
20 Post Balance Sheet Events	52

21	Nature and Extent of Risks Arising from Financial Instruments.....	52
22	Local Authority Controlled Company – NW FireControl Limited.....	54
23	Adjust net surplus/(deficit) on the provision of services for non-cash movements.....	55
24	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	55
25	Reconciliation of liabilities arising from financing activities.....	56
26	Assumptions made about the future and other major sources of estimation and uncertainty	56
27	Expenditure and Income Analysed by Nature	58
28	Critical Judgements.....	58
29	Accounting Policies	58
	Fire Fighters Pension Fund Account and Net Assets Statement	68
	Glossary of Terms	70

Narrative Report

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

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

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2022/23;
- how these services were paid for;
- what assets the Fire Authority owned at the end of the financial year; and
- what was owed, to and by, the Fire Authority at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts.

Contents of this Statement of Accounts

This Statement of Accounts covers the financial year ended on 31 March 2023 (referred to as 2022/23). It has been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom. The Statement contains:

Statement on Annual Governance Arrangements – Sets out the Authority's responsibilities regarding the system of internal control and corporate governance.

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Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2023, including the level of balances and reserves at the Fire Authority's disposal, its long-term indebtedness and the value of the assets held by the Fire Authority.

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

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

Review of the Year

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

Last year we set out to strengthen community safety in respect of emerging risks affecting Lancashire. Climate change in particular is having a significant impact on homes, businesses and environments, and the risk of flooding and wildfires has increased.

In response, we invested in wildfire personal protective equipment (PPE) for every firefighter in the Service plus additional equipment for specialist wildfire units. Two new all-terrain Hagglund vehicles were added to our fleet to make it easier to access rural areas during extreme weather events. These vehicles have already proved their worth in multiple incidents across the county.

Collaboration with other emergency services continued to deliver improved public services. We attended more incidents to gain entry to homes where there was a medical emergency and assist in searching for missing people than the previous year.

These partnerships enable us to use our skills and experience to keep people safe in diverse ways. A new collaboration with North West Ambulance Service on their community first responder initiative has already seen a Lancashire resident benefit from life-saving first aid from one of our staff responding from the workplace.

Business Fire Safety Checks is a new service delivered by operational crews to help small and lower risk businesses comply with fire safety laws, following significant changes to legislation. This means our dedicated fire safety inspection teams can focus on premises where occupants are at a higher risk of harm.

Thank you to everyone who took part in our emergency cover consultation which reviewed fire engines and crewing arrangements alongside community risks. The improvements identified reflect the most effective and efficient use of resources for the whole of Lancashire. All 39 fire stations and 58 fire appliances have been maintained and we are increasing the number of firefighters employed.

An innovation that is already benefitting Lancashire as part of the review is the introduction of dynamic cover software to deploy resources. It provides visual data on community risks and emergency cover in real-time to inform decision-making. This means we can position

firefighters and fire engines with greater precision and have improved emergency cover and response times in communities during several periods of high demand.

Behind all these achievements are dedicated people with the highest levels of skills and expertise. From saving lives on the frontline to supporting behind the scenes, we are united in our determination to make Lancashire safer.

The 2022/23 Financial Overview

The Authority's spending is planned and controlled by an annual budget process, which leads to the setting of its budget requirement. Expenditure on the day-to-day running costs of the service is determined through the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

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

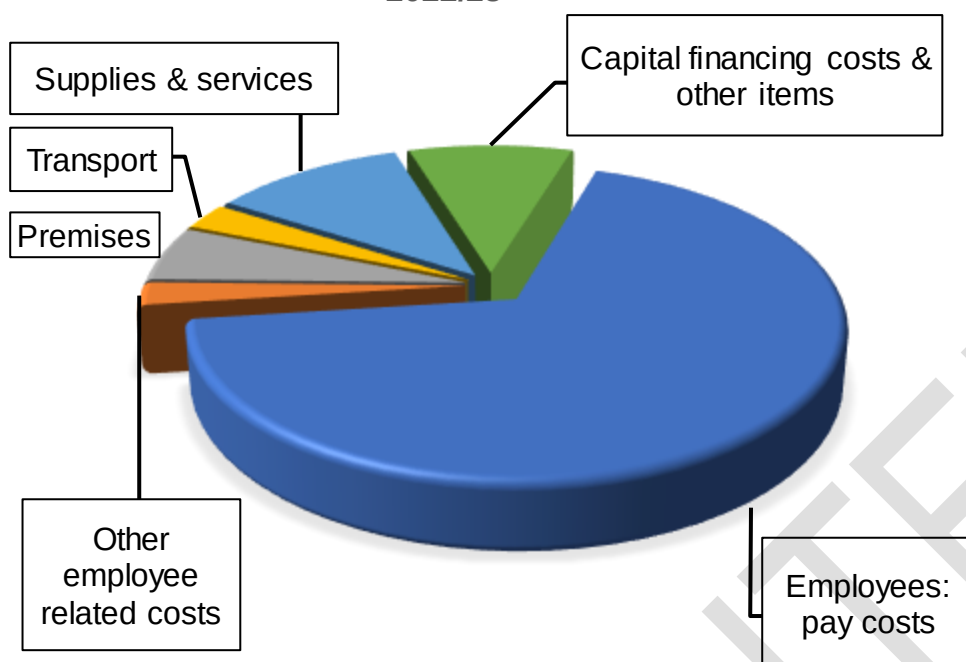
- deliver services as outlined in the Risk Management Plan and other plans;
- maintain future council tax increases at reasonable levels;
- continue to deliver efficiencies in line with targets;
- continue to invest in improvements in service delivery and facilities;
- set a robust budget that takes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

The Authority agreed a gross revenue budget of £63.0m and a council tax of £77.27. This represented a £5 increase in council tax, in line with the Council Tax referendum limit. Based on this the budget was considered affordable, prudent, and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

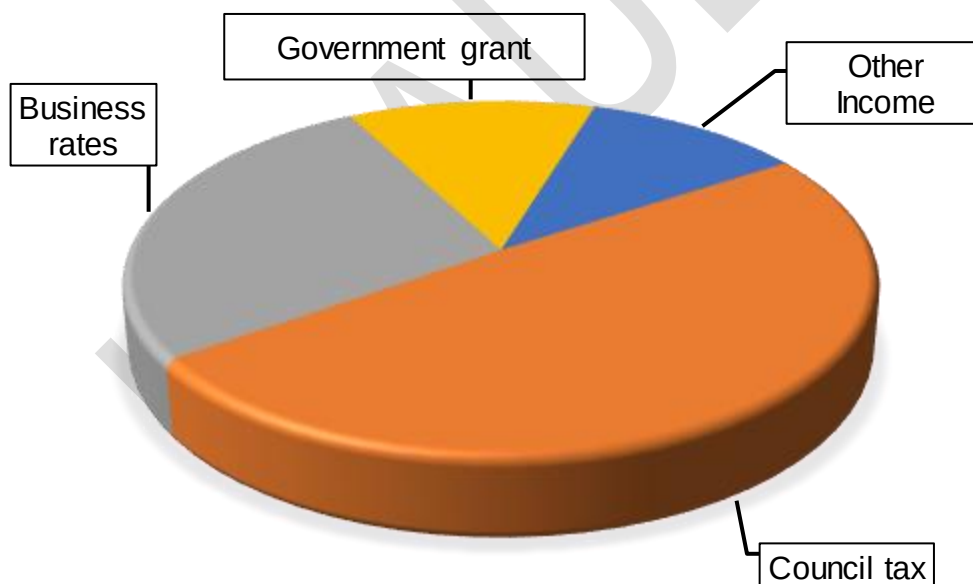
The net revenue position shows an overall overspend of £1.7m, with the main variances relating to higher than budgeted pay awards and inflation related costs, which is partly offset by higher than budgeted investment income. This has resulted in a drawdown from General Reserves to support the budget.

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

EXPENDITURE ANALYSIS 2022/23



INCOME ANALYSIS 2022/23



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

Comparison (£000)	Budget	Spend	(Under) / Overspend
Employees: pay costs	48,795	49,680	885
Other employee related costs	1,493	1,736	243
Premises	3,473	4,217	744
Transport	1,948	2,031	84
Supplies & services	8,710	8,192	(518)
Capital financing costs & other items	6,584	6,921	337
Total Expenditure	71,003	72,777	1,774
Other Income	(7,986)	(7,865)	121
Budget requirement	63,017	64,911	1,895
Funded by:			
Council tax	(35,111)	(35,111)	-
Business rates	(19,074)	(19,296)	(222)
Government grant	(8,832)	(8,832)	-
Sub-total	(63,017)	(63,239)	(222)
Net Overspend	-	1,673	1,673

The following reconciliation shows the comparison between the revenue budget position, as set out above, and the Total Comprehensive Income and Expenditure figure reported in the accounts.

Reconciliation	£000
Revenue Outturn	1,673
Remove Capital Contributions and transfers to / from reserves	(3,825)
Adjustments for Capital Purposes	4,214
Net change for Pensions Adjustments	12,868
Other Differences	416
Deficit on provision of services	15,347
(Surplus)/Deficit on revaluation of fixed assets	(21,735)
Actuarial (gains)/losses on pension fund assets	(276,694)
Total Comprehensive Income and Expenditure	(283,082)

The Authority's general fund balance at the start of the year was £6.04m, the overspend of £1.67m has been transferred to the reserve reducing the balance to £4.37m (this is above the minimum level of reserves approved by the Authority at its budget meeting in 2023. Note the General Fund Balance including our share of North West Fire Control general reserves is £4.89m.

The Authority also holds an additional £9.3m of earmarked revenue reserves and £22m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy, reducing to zero in 2027. It is also worth noting that over half of the earmarked reserve relates to the Authority's two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £1.7m, with the main contributors to this being set out below:-

Capital Expenditure	£'m
Vehicles	
• Support Vehicles –various support vehicles, such as vans and cars	0.4
Operational Equipment	
• CCTV & Dash Cams	0.2
ICT Equipment	
• Dynamic Coverage Tool, Command Support software	0.4
Buildings	
• Dormitory facilities, Drill tower replacements & work at the fleet workshop	0.6
Total	1.7

The Balance Sheet shows that the Authority's Total Net Liabilities reduced from (£753.7m) to (£502.5m). This reflects the Authority's compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority's overall Fire-fighters pension liability of (£651.5m) is extremely large. If this liability was excluded the Authority's Total Net Assets would be £149.0m. There was a significant reduction in the fire-fighters Pension Scheme liability of £224.4m; a reduction of over a quarter. The change is due to several changes in actuarial assumptions, the most significant impact being a higher discount rate which is used to calculate the present value of future pension liabilities. As the discount rate increases, the pension liability decreases. The pension liability includes estimated costs in relation to the McCloud judgement.

Long-term assets have increased slightly in value to £126.6m, reflecting the investment in our asset base and the impact of revaluations.

Future Financial Plans

Due to economic uncertainty the anticipated four-year Spending Review was again reduced to a single year review, covering 2023/24, with a multi-year settlement anticipated for next year. Again, the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, have been put on hold. The 2023/24 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 6%.

The Government again amended the council tax referendum principles for 2023/24, allowing Fire Authorities to increase council tax levels by £5 resulting in a council tax of £82.27 per band D property. Raising council tax by the maximum permissible still only increases the overall council tax bill by £5 but generates £2.3m of funding for the Authority. This increase provides an opportunity to address the two-year pay award agreed during 2022/23.

The Authority therefore agreed a net revenue budget of £68.2m, allowing for inflationary pressures. Based on this the budget, as presented, is considered affordable, prudent, and sustainable, whilst ensuring that the Authority can deliver against its corporate priorities.

Given economic uncertainty, the longer term implications of Brexit, the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we had assumed that the funding will increase broadly in line with inflation, at 5.0% in 2024/25 and 2% thereafter. Based on this we have been able to set a balanced budget in future years, after allowing for council tax increases in line with forecast inflation.

The capital budget continues to invest in our asset base, in particular vehicle replacement, new operational equipment, new IT requirements and refurbishment/replacement of stations/buildings. This gives rise to a capital program of £42m over the next five years.

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

When the national Emergency Services Mobile Communications Programme (ESMCP) progresses to a stage where we can purchase replacement radio and mobilising equipment, we will upgrade our current provision. This project has incurred delays and is outside of our control. It is assumed that any costs to the Authority will be funded by specific capital grant.

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

The capital programme shows the Authority utilising all its capital reserves and receipts part way through 2026/27, meaning that the remainder of the capital programme will need to be met from either capital grant (if available), additional revenue contributions or from new borrowing. Any borrowing will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision - MRP) charges. As we have already set aside funds (prepaid MRP) to offset our existing £2.0m of Public Work Loans Board (PWLb) borrowing we would need to take out new borrowing of £11.6m. This has a significant impact on the revenue budget, in terms of interest payments and setting aside a sum equivalent to the Minimum Revenue Provision (MRP) and is reflected in our Medium-Term Financial Strategy.

The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates or within the level of reserves currently held:-

- Reductions in funding levels over and above those forecast;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in collection rates, localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pension costs/contributions;
- Significant changes in retirement profiles;
- Increase in costs arising from demand led pressures, i.e., increasing staff numbers, overtime due to spare conditions or major equipment replacement requirements;
- Inadequacy of insurance arrangements.

Accounting Changes

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

Statement on Annual Governance Arrangements by the Chairman of the Combined Fire Authority, the Treasurer to the Combined Fire Authority and the Chief Fire Officer

Scope of Responsibility

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

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

The Authority approved and adopted an updated Local Code of Corporate Governance in 2018 and this was reviewed by the Audit Committee in July 2023. It aligns with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/SOLACE Framework *Delivering Good Governance in Local Government Framework 2016*. Included within the Code are the following core principles:-

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

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our [website](#)).

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts

to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the Authority for the year ended 31 March 2023 and up to the date of approval of the 2022/23 Statement of Accounts.

The Governance Framework

The Authority's Local Code of Corporate Governance set out its framework for corporate governance. The key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the seven principles of the Local Code of Corporate Governance include:-

- The Community Risk Management Plan (CRMP) sets out the direction of the Service and how we will make Lancashire safer. It is informed by the greatest risks to the people and communities of Lancashire which are identified in our strategic assessment of risk (opens in a new tab). The plan describes our aim, priorities, equality objectives and values, alongside how we will prevent, protect, and respond to the risks in Lancashire. The current plan covering 2022-2027 can be found on our [website](#);
- The Strategic Assessment of Risk (SAoR) seeks to underpin our Community Risk Management Plan (CRMP) by ensuring that risk management drives decision-making within Lancashire. This document can be found on our [website](#);
- The Annual Service Plan details the activities we will undertake to deliver the strategy set out in our CRMP. The current plan was approved this year and can be found on our [website](#);
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Service Report;
- A Corporate Programme Board provides oversight across 5 areas:-
 - Business Process Improvement Programme
 - Service Delivery Change Programme
 - Capital Projects Programme.
 - People Strategy
 - Risk Management

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

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
 - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities.
 - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues.
 - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements.
 - The Performance Committee - To consider reports and make recommendations on all aspects of performance management.
 - The Appeals Committee - To hear relevant appeals, grievances and complaints.
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (Head of Paid Service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;
- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
- Comprehensive suite of strategies and policies in place and regularly reviewed;
- Codes of Conduct for members and officers, and member/officer protocol, which set out clear expectations for standards of behaviour;
- Both the Monitoring Officer and Treasurer are involved in the Authority's decision-making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;
- The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government and CIPFAs Financial Management Code;
- Well publicised arrangements for dealing with complaints and whistleblowing, and for combating fraud and corruption;

- A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed;
- Comprehensive Business Continuity arrangements in place, and tested on a regular basis;
- A framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;
- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet;
- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements; and
- Comprehensive service review process in place, comprising external views in the form of HMICFRS Inspection review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance was approved by the Authority in December 2022, it sets out the effectiveness of the governance arrangements for which it is responsible, including the system of internal control. The statement of assurance covers all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements are in all cases at least adequate and in most areas good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:-

- A review of minutes of the Executive Board, Audit Committee and Authority to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed.
- We updated our Strategic Assessment of Risk that underpins our Community Risk Management Plan (CRMP) by ensuring that risk management drives decision-making within Lancashire. We undertook an emergency cover review (ECR) to ensure that its emergency response remains effective and efficient, and that the Service is well equipped to respond to future challenges.

- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reported the outcome of their second full inspection in July 2022; the focus was on the service they provide to the public, and the way they use the resources available. The HMICFRS reported that the Service is performing exceptionally well and has been recognised as 'outstanding' for promoting values and culture. As well as being rated 'outstanding' for culture and values, the service was rated as 'good' in the other 10 categories and there were no areas that 'require improvement.' The results mirror those of the service's first full inspection in 2018, with the new report highlighting that the service has improved in almost all areas since then.
- A new Annual Service Plan has been published, providing clarity, both internally and externally, on our priorities set out in the CRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed, or reviewed during the coming year against each of our priorities. This is supported by Local Delivery Plans.
- Statement of Intent: Enhanced Collaboration agreed between LFRS, Lancashire Constabulary and North West Ambulance Services. Collaboration group established with regular reports to Members.
- An Operational Assurance Team. The newly formed Organisational Assurance team under Planning, Performance and Assurance, will now have a broader reference than just a focus on operational assurance. The team has the responsibility for HMICFRS liaison, operational preparedness and will undertake internal audits/ assurance across the whole organisation based on trends, themes, and emerging needs. The team will identify and share good practice as well as areas for improvement, items will be tracked through to completion. The Organisational Assurance team will work closely with the Operational Assurance team (under Training and Operational Review) who have the responsibility for operational learning and response. The Operational Assurance team will continue to create the operational assurance performance summary which is published quarterly. A programme of preparedness visits will be managed by the Organisational Assurance team which has expanded on the operational audits undertaken previously.
- Performance appraisal incorporating values is undertaken throughout the Service.
- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary. The Assurance mapping exercise, with our Internal Auditors, has confirmed that a strong assurance framework is in place. As part of the 2022/23 internal audit plan the auditors undertook various reviews and gave the overall opinion that they can "*provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.*"
- The Authority's external auditors are Grant Thornton, they are required to consider whether the service has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. Their conclusions for financial year 2021/22 are set out below:

- Financial Sustainability – “No significant weaknesses in arrangements identified but two improvement recommendations made”.
 - Governance – “No significant weaknesses in arrangements identified”.
 - Improving economy, efficiency, and effectiveness - “No significant weaknesses in arrangements identified”.
- On 30 November 2022 Grant Thornton gave an unqualified opinion on the Authority's finance statements ended 31 March 2022.

UNAUDITED

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

Area for Improvement	Action to date	Complete/ On-going	Owner
A project to replace the existing Performance Management System will commence.	Two projects have been initiated which will replace our data warehouse and performance reporting dashboards. A new data warehouse has been built and the first three service level KPI's have been delivered including a front-end Power BI reporting dashboard. A scoping exercise is underway to determine the requirements for the wider performance management dashboards with a focus on service delivery performance reporting initially.	On-going. Due to complete March 2024	Head of Service Improvement
An upgraded Finance system will be implemented in April 2022, as part of that we will review and implement improvements to the monthly budget monitoring process, making greater use of additional functionality provided.	The upgraded Finance System was implemented in 2022/23. Improvements to the monthly budget monitoring processes is taking place in 2023 and further development work to improve functionality is also taking place in 2023.	On-Going. Due to complete March 2024.	Head of Finance
Embed the Core Code of Ethics into our corporate policy, and recruitment and promotion process	The ethical principles in the national Code of Ethics have been built into the Services corporate policies, human resources policies and job descriptions. Recruitment and promotion assessment of candidates incorporates the Services values and the Code of Ethics.	Complete	

Significant Governance Issues

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

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

- Identify a mechanism to report to Members of the CFA our response to national recommendations made by the HMICFRS during the year. Due to complete March 2024.

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

Approved:

Steven Brown

County Councillor D O'Toole,
Chairman,
Lancashire Combined Fire
Authority
[DATE]

J Johnston,
Chief Fire Officer,
Lancashire Fire and
Rescue Service
[DATE]

S Brown,
Treasurer,
Lancashire Combined Fire
Authority
[28th July 2023]

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority

To add on final audit

UNAUDITED

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer to the Fire Authority.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting ('the Code'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2023.

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

Steven Brown

Steven Brown CGMA
Treasurer to the Combined Fire Authority
[28th July 2023]

John Shedwick
Chair of Audit Committee
[Date]

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Notes		2022/23			2021/22		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	Continuing operations:						
1	Service Delivery	33,911	(2,110)	31,801	32,756	(2,364)	30,391
1	Strategy and Planning	12,389	(847)	11,542	11,912	(984)	10,928
1	People and Development	2,334	-	2,334	1,921	(1)	1,920
1	Corporate Services	6,285	(65)	6,220	4,802	(149)	4,653
1	Fire-fighters Pensions	1,141	-	1,141	1,259	(19)	1,240
1	Overheads	6,757	(4,863)	1,894	6,429	(5,211)	1,217
1	Net Cost of Services	62,817	(7,885)	54,932	59,078	(8,729)	50,349
	Gain on disposal of non-current assets			(9)			(3)
	Financing & investment income & expenditure						
8	Interest payable and similar charges			1,388			1,408
15	Pensions interest cost and expected return on pensions assets			23,246			17,648
8	Interest receivable and similar income			(837)			(206)
	Taxation and non-specific grant income						
	Council tax			(34,968)			(33,160)
	Revenue Support Grant			(9,642)			(8,570)
	Non-domestic rates redistribution			(15,559)			(14,786)
	Business rates S31 grant			(2,951)			(1,360)
	Business rates S31 grant – additional reliefs			-			(1,101)
	Local taxation Income Guarantees			-			(4)
	Capital grant income			(253)			(253)
	Deficit on the provision of services			15,347			9,962
	Surplus on revaluation of non-current assets			(21,735)			(10,610)
18	Actuarial (gains)/losses on pensions assets and liabilities			(244,777)			(13,400)
	Other comprehensive income & expenditure			(266,512)			(24,009)
	Total Comprehensive Income and Expenditure			(251,165)			(14,047)

Movement in Reserves Statement 2022/23

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Comprehensive Income and Expenditure Statement for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

£000	General fund	Earmarked reserves	Total General Fund Balance	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
Balance at 31 March 2022 carried forwards	6,536	9,742	16,278	17,672	40	1,683	35,673	(789,359)	(753,686)
Movement in reserves during 2022/23									
Surplus/(Deficit) on provision of services	(15,347)	-	(15,347)	-	-	-	(15,347)	-	(15,347)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	266,512	266,512
Total comprehensive income and expenditure	(15,347)	-	(15,347)	-	-	-	(15,347)	266,512	251,165
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	5,859	-	5,859	-	-	-	5,859	(5,859)	-
Amortisation of intangible assets	94	-	94	-	-	-	94	(94)	-
Disposal of assets	(9)	-	(9)	-	-	9	-	-	-
Capital grants unapplied	42	-	42	-	(42)	-	-	-	-
Provision for the repayment of debt	(487)	-	(487)	-	-	-	(487)	487	-
Capital expenditure charged against General Fund Balance	(4,300)	-	(4,300)	-	-	-	(4,300)	4,300	-
Amount by which the Code and the statutory pension costs differ	12,879	-	12,879	-	-	-	12,879	(12,879)	-
Amount by which the Code and the statutory collection fund income differ	(983)	-	(983)	-	-	-	(983)	983	-
Adjustments total	13,095	-	13,095	-	(42)	9	13,062	(13,062)	-
Net increase/decrease before transfers to earmarked reserves	(2,252)	-	(2,252)	-	(42)	9	(2,285)	253,450	251,165
Transfers (to)/from earmarked reserves	484	(484)	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	-	-	-	2,672	-	-	2,672	(2,672)	-
Transfers (to)/from accumulated absences adjustment account	118	-	118	-	-	-	118	(118)	-
Adjustments to NWFC 21/22 balances following audit	-	-	-	-	29	-	29	-	29
Net tfr (to)/from earmarked reserves	602	(484)	118	2,672	29	-	2,819	(2,790)	29
Increase/(Decrease) in the year	(1,650)	(484)	(2,134)	2,672	(13)	9	534	250,660	251,194
Balance at 31 March 2023 carried forwards	4,887	9,258	14,145	20,344	27	1,692	36,208	(538,699)	(502,491)

Movement in Reserves Statement 2021/22

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Comprehensive Income and Expenditure Statement for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

£000	General fund	Earmarked reserves	Total General Fund Balance	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021 carried forwards	6,463	10,769	17,232	17,966	101	1,680	36,979	(804,713)	(767,734)
Movement in reserves during 2021/22									
Surplus/(Deficit) on provision of services	(9,962)	-	(9,962)	-	-	-	(9,962)	-	(9,962)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	24,009	24,009
Total comprehensive income and expenditure	(9,962)	-	(9,962)	-	-	-	(9,962)	24,009	14,047
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	4,863	-	4,863	-	-	-	4,863	(4,863)	-
Amortisation of intangible assets	158	-	158	-	-	-	158	(158)	-
Disposal of assets	(3)	-	(3)	-	-	3	-	-	-
Capital grants unapplied	61	-	61	-	(61)	-	-	-	-
Provision for the repayment of debt	(458)	-	(458)	-	-	-	(458)	458	-
Capital expenditure charged against General Fund Balance	(2,373)	-	(2,373)	-	-	-	(2,373)	2,373	-
Amount by which the Code and the statutory pension costs differ	9,130	-	9,130	-	-	-	9,130	(9,130)	-
Amount by which the Code and the statutory collection fund income differ	(1,585)	-	(1,585)	-	-	-	(1,585)	1,585	-
Adjustments total	9,793	-	9,793	-	(61)	3	9,735	(9,735)	-
Net increase/decrease before transfers to earmarked reserves	(169)	-	(169)	-	(61)	3	(228)	14,275	14,047
Transfers (to)/from earmarked reserves	690	(690)	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	(346)	(337)	(683)	(294)	-	-	(977)	977	-
Transfers (to)/from accumulated absences adjustment account	(102)	-	(102)	-	-	-	(102)	102	-
Net tfr (to)/from earmarked reserves	242	(1,027)	(785)	(294)	-	-	(1,079)	1,079	-
Increase/(Decrease) in the year	73	(1,027)	(954)	(294)	(61)	3	(1,306)	15,351	14,047
Balance at 31 March 2022 carried forwards	6,536	9,742	16,278	17,672	40	1,683	35,673	(789,359)	(753,686)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable reserves are those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure). The second category is unusable reserves and includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Notes		At 31 March 2023 £000	At 31 March 2022 £000
	Long-Term Assets		
6	Property, Plant & Equipment	125,717	108,637
7	Intangible Assets	906	523
8	Long-Term Investments	-	5,000
15	Local Government Pension Scheme	-	-
	Long-Term Assets total	126,623	114,160
	Current Assets		
	Inventories	310	257
8	Short-Term Investments	15,000	10,000
9	Short-Term Debtors	16,763	12,888
10	Cash & Cash Equivalents	16,317	17,896
	Current Assets total	48,390	41,041
	Current Liabilities		
8	Other Short-Term Liabilities	(558)	(492)
11	Short-Term Creditors	(10,258)	(9,296)
	Current Liabilities total	(10,816)	(9,788)
	Long-Term Liabilities		
12	Provisions	(1,239)	(1,447)
8	Long-Term Borrowing	(2,000)	(2,000)
13	Other Long-Term Liabilities	(663,449)	(895,652)
	Long-Term Liabilities total	(666,688)	(899,099)
	Net Liabilities	(502,491)	(753,686)
16	Revenue Reserves	(14,145)	(16,278)
16	Capital Funding Reserve	(20,344)	(17,672)
16	Capital Grants Unapplied Account	(27)	(40)
16	Usable Capital Receipts Reserve	(1,692)	(1,683)
16	Usable Reserves	(36,208)	(35,673)
18	Revaluation Reserve	(75,306)	(56,221)
18	Capital Adjustment Account	(38,281)	(39,469)
13,15&18	Pension Reserve	651,536	883,434
18	Collection Fund Adjustment Account	(207)	776
18	Accumulated Absences Adjustment Account	957	839
18	Unusable Reserves	538,699	789,359
	Total Reserves	502,491	753,686

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31 March 2023 and its income and expenditure for the year then ended.

Steven Brown

Steven Brown CGMA
Treasurer to the Combined Fire
Authority
[28th July 2023]

John Shedwick
Chair of Audit Committee
[DATE]

UNAUDITED

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flows arising from operating activities is an indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Note	2022/23		2021/22	
	£000	£000	£000	£000
		(15,347)		(9,962)
23		15,940		9,805
		699		1,319
		1,292		1,162
6&7		(1,680)		(4,099)
		5,000		5,000
		(5,000)		(5,000)
24		667		67
		(1,013)		(4,032)
		(492)		(451)
		-		-
24		(1,366)		(1,386)
		(1,858)		(1,837)
		(1,579)		(4,707)
10		17,896		22,603
10		16,317		17,896

Notes to the Core Financial Statements

1 Expenditure and Funding Analysis

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

	2022/23	As reported for resource management	Adjustment to arrive at the amount chargeable to the General Fund (Note 1a)	Net chargeable to the General Fund	Adjustments between the Funding and Accounting basis (Note 1a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000	£000	£000	£000	£000
Service Delivery		41,946	-	41,946	(10,145)	31,801
Strategy and Planning		12,211	-	12,211	(669)	11,542
People and Development		1,934	-	1,934	400	2,334
Corporate Services		6,240	-	6,240	(20)	6,220
Firefighters Pensions		1,141	-	1,141	-	1,141
Overheads		1,440	-	1,440	454	1,894
Net cost of Services		64,912	-	64,912	(9,980)	54,932
Other income and expenditure		(63,239)	-	(63,239)	23,654	(39,585)
Surplus on provision of services		1,673	-	1,673	13,674	15,347
Opening General Fund balance				(6,536)		
Surplus on provision of services				1,673		
NWFC recognise 25% surplus on provision of services				(24)		
Closing General Fund balance				(4,887)		

2021/22	As reported for resource management	Adjustment to arrive at the amount chargeable to the General Fund (Note 1a)	Net chargeable to the General Fund	Adjustments between the Funding and Accounting basis (Note 1a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Service Delivery	38,712	-	38,712	(8,321)	30,391
Strategy and Planning	11,159	-	11,159	(230)	10,928
People and Development	1,608	-	1,608	311	1,920
Corporate Services	4,506	-	4,506	147	4,653
Firefighters Pensions	1,239	-	1,239	-	1,239
Overheads	1,678	-	1,678	(461)	1,217
Net cost of Services	58,902	-	58,902	(8,553)	50,349
Other income and expenditure	(59,234)	-	(59,234)	18,847	(40,387)
Surplus on provision of services	(332)	-	(332)	10,294	9,963
Opening General Fund balance			(6,464)		
Surplus on provision of services			(332)		
Transfer to Capital Funding Reserve			331		
NWFC recognise 25% surplus on provision of services			(73)		

1a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves	Transfer to/(from) Capital Reserves	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (3)	Total adjustment between funding and accounting basis
2022/23	£000	£000	£000	£000	£000	£000	£000
Service Delivery	-	-	-	-	(10,923)	778	(10,145)
Strategy and Planning	-	-	-	-	(436)	(233)	(669)
People and Development	-	-	-	-	400	-	400
Corporate Services	-	-	-	-	252	(272)	(20)
Firefighters Pensions	-	-	-	-	-	-	-
Overheads	-	-	-	4,214	329	(4,089)	454
Net cost of Services	-	-	-	4,214	(10,378)	(3,816)	(9,980)
Other income and expenditure	-	-	-	-	23,246	408	23,654
Total	-	-	-	4,214	12,868	(3,408)	13,674

Lancashire Combined Fire Authority
Statement of Accounts 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves	Transfer to/(from) Capital Reserves	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (1)	Net change for Pensions Adjustments (2)	Other Differences (3)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000
2021/22							
Service Delivery	-	-	-	133	(8,884)	430	(8,321)
Strategy and Planning	-	-	-	(41)	(367)	177	(230)
People and Development	-	-	-	-	311	-	311
Corporate Services	-	-	-	-	277	(130)	147
Firefighters Pensions	-	-	-	-	-	-	-
Overheads	-	-	-	2,144	145	(2,750)	(461)
Net cost of Services	-	-	-	2,236	(8,518)	(2,272)	(8,553)
Other income and expenditure	-	-	-	-	17,648	1,199	18,847
Total	-	-	-	2,236	9,130	(1,073)	10,294

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

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

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

2 Fire Authority Costs

In 2022/23 Fire Authority costs amounted to £0.332m (2021/22: £0.317m), analysed as follows:

	2022/23 £000	2021/22 £000
Members allowances/expenses	140	136
Statutory officers	123	111
Others	69	70
Total	<u>332</u>	<u>317</u>

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1135 employees, who have received pay and benefits of more than £50,000 are:

	2022/23 No.	2021/22 No.
£75,000 - £79,999	2	1
£70,000 - £74,999	1	3
£65,000 - £69,999	8	6
£60,000 - £64,999	20	7
£55,000 - £59,999	51	41
£50,000 - £54,999	65	59
Total	<u>147</u>	<u>117</u>

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

Senior Officers Remuneration

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

Post holder information (post title and name)	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
2022/23					
Chief Fire Officer – Justin Johnston	153,121	-	153,121	44,099	197,220
Director of Service Delivery – John Charters	120,377	-	120,377	34,669	155,046
Director of Strategy & Planning – Steve Healey	141,769	-	141,769	40,829	182,598
Director of People & Development – Robert Warren	108,678	-	108,678	18,584	127,262
Director of Corporate Services – Keith Mattinson	94,344	-	94,344	16,133	110,477
Total	618,289	-	618,289	154,314	772,603

Page 43

Post holder information (post title and name)	Salary	Allowances	Total Remuneration excluding pension contributions	Pension contributions accrued at the standard employer rate for all senior officers	Total Remuneration including pension contributions
2021/22 Revised					
Chief Fire Officer – Justin Johnston	152,425	-	152,425	43,898	196,324
Director of Service Delivery – Steve Healey (1 April to 31 December)	104,554	-	104,554	30,112	134,666
Director of Strategy & Planning – Steve Healey (1 January 22 to date)	34,851	-	34,851	10,037	44,888
Director of Strategy & Planning – Ben Norman (1 April to 31 December)	89,671	-	89,671	25,825	115,496
Director of Service Delivery – Jon Charters (1 January 22 to date)	29,040	-	29,040	8,364	37,404
Director of People & Development – Robert Warren	108,277	-	108,277	18,515	126,792
Director of Corporate Services – Keith Mattinson	90,244	-	90,244	15,432	105,675
Total	609,062	-	609,062	152,183	761,245

Exit Packages

There were no exit packages in 2022/23 or 2021/22.

4 External Auditors Fees

In 2022/23, the Fire Authority paid a total of £0.044m to its external auditors, Grant Thornton (2021/22: £0.044m), as follows:

	2022/23 £000	2021/22 £000
Audit fees – Grant Thornton	44	44

5 Related Parties Transactions

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

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in [Note 2](#). As required under Section 81 of the Local Government Act 2000, members' outside interests are recorded in a formal register and the Code of Conduct operated by the Authority requires members to declare any related interests they have, and to take no part in meetings or decisions on issues concerning those related interests.

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

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

There is no evidence in these cases of control of one party by the other, however material transactions of £1.003m spend with Lancashire County Council requires disclosure in this note. Most of this sum relates to maintenance of the Authority's vehicle fleet, in addition to services provided under Service Level Agreements.

Officers

In 2022/23 one Senior Officer declared a family relationship with a Senior Officer who worked across two of our major billing authorities (in 2021/22 the same officer declared the same family relationship, covering three of our billing authorities). Although there are significant transactions between the parties in relation to business rates (£0.461m received from the billing authorities, 2021/22: £0.669m from the three relevant authorities), and council tax (£5.772m received from the billing authorities, 2021/22: £7.852m from the three relevant authorities), the administration of these is strictly defined by a statutory framework.

6 Property, Plant & Equipment

Details on policies can be seen in [Note 29](#), Accounting Policies.

Movements during the Year

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

Movements in Property, Plant and Equipment analysed into their different categories for 2022/23 are:

Movement during the year	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost or valuation				
At 1 April 2022	69,114	31,175	24,160	124,449
Additions	473	151	580	1,204
Disposals	-	-	(32)	(32)
Impairment losses recognised in the Revaluation Reserve	(279)	(269)	-	(548)
Impairment losses recognised in the CIES Provision of Services	(271)	-	-	(271)
Revaluations	12,838	5,375	-	18,213
As at 31 March 2023	81,875	36,432	24,708	143,015
Depreciation and impairments				
At 1 April 2022	-	-	(15,812)	(15,812)
Depreciation charge for 2022/23	(3,034)	(1,016)	(1,538)	(5,588)
Disposals	-	-	32	32
Revaluations	3,054	1,016	-	4,070
As at 31 March 2023	20	-	(17,318)	(17,298)
Balance sheet at 31 March 2023	81,895	36,432	7,390	125,717
Balance sheet at 31 March 2022	69,114	31,175	8,348	108,637
Nature of asset holding				
Owned	81,895	-	7,387	89,282
Finance lease	-	-	3	3
PFI	-	36,432	-	36,432
Total	81,895	36,432	7,390	125,717
Historical cost				
Carried at historical cost	-	-	7,390	7,390
Valued at current value as at:				
31 March 2023	81,895	36,432	-	118,327
31 March 2010	-	-	-	-
Total cost or valuation	81,895	36,432	7,390	125,717

On 31 March 2023 the Authority undertook a full revaluation review on approximately one fifth of its land and buildings, and in addition carried out a desktop revaluation exercise on the remainder, which resulted in a net revaluation gain of £22.283m (2021/22: net gain of £12.340m).

Revenue Leases are included in the quinquennial asset valuation programme to meet IFRS 16 requirements however are considered on a desktop basis only this year. All will be valued as full asset valuations from commencement of the 2023-24 financial year, in line with CIPFA Code of Practice.

The comparative figures detailing the movement during 2021/22:

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

Heritage Assets

The Authority holds several heritage assets, in the form of both fire memorabilia such as antique fire extinguishers, and two vintage fire appliances. Due to the nature of these assets, it is not possible to market test the value of these, therefore they are not included in the Property, Plant and Equipment note.

Capital Expenditure

The total capital expenditure in 2022/23 is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement	12,770	13,225
Capital investment:		
Property, Plant & Equipment*	1,204	3,352
Intangible assets*	477	31
Sources of Finance:		
Capital Reserves	-	(977)
Revenue contributions to capital*	(1,680)	(2,404)
MRP	(487)	(457)
Closing Capital Financing Requirement	12,283	12,770
Explanation of movements in year (Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(487)	(457)
Assets acquired under finance lease	-	2
Total	(487)	(455)

* Includes NWFC balances.

Details of Assets Held

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

	2022/23	2021/22
Headquarters	1	1
Fire Stations (including Area Headquarters)	39	39
Training School	1	1
Fire houses	1	1

Capital Commitments

Capital projects often take several years to complete, which means that the Authority is committed to capital expenditure in following years arising from contracts entered into at the Balance Sheet date, but on which all or part of the capital work has yet to be undertaken. The estimated capital expenditure committed at 31 March 2023 is £4.704m (2021/22: £3.747m).

7 Intangible Assets

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

Movement during	2022/23	2021/22
	£000	£000
Cost or valuation		
At 1 April	2,422	2,380
Additions	477	42
As at 31 March	2,899	2,422
Amortisation & impairment		
At 1 April	(1,899)	(1,741)
Amortisation charge for the year	(94)	(158)
As at 31 March	(1,993)	(1,899)
Balance sheet at 31 March 2023	906	523
Balance sheet at 31 March 2022	523	639

8 Financial Instruments

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

Financial assets – balances

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

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

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

	Long-Term		Current	
	31	31	31	31 March
	March	March	March	2022
	2023	2022	2023	
	£000	£000	£000	£000
Investments	-	5,000	15,000	10,000
Cash & cash equivalents	-	-	16,317	17,896
Other trade receivables	-	-	1,555	1,570

Financial liabilities – balances

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

All the Authority's financial liabilities held during the year are measured at amortised cost, and comprise:

- Long-term loans from the Public Work Loans Board.
- Private Finance Initiative (PFI) contracts, detailed in [Note 14](#).
- Lease payables.
- Trade payables for goods and services received.

	Long-Term		Current	
	31	31	31	31
	March	March	March	March
	2023	2022	2023	2022
	£000	£000	£000	£000
Borrowings	2,000	2,000	22	22
PFI and finance lease arrangements	11,913	12,434	522	492
Trade payables	-	-	3,891	3,568

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2022/23	2021/22
	£000	£000
Financial Liabilities at amortised cost		
Interest payable relating to PFI	1,294	1,312
Interest payable relating to Borrowing	90	90
Interest payable relating to finance leases	4	6
Total expense in Deficit on the Provision of Services	1,388	1,408
Financial Assets at amortised cost		
Interest income	(837)	(206)
Total income in Deficit on the Provision of Services	(837)	(206)
Net gain/(loss) for the year	551	1,202

Fair Values of Financial Instruments

In accordance with IFRS 9, financial liabilities, financial assets represented by investments and long-term creditors, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2023 of 4.48% to 4.49% for loans from the PWLB.
- The fair values of PWLB loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced amount.
- The fair value of the PFI liabilities has been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated bond yield rates.

The fair values calculated are as follows:

	31 March 2023		31 March 2022	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	2,000	1,915	2,000	2,403
PFI Liabilities	12,351	13,509	12,795	15,941

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2023 is £2.000 million (2021/22: £2.000m) and it is due for repayment as shown in the following table:

	2022/23 £000	2021/22 £000
Over 10 years	2,000	2,000
Total	<u>2,000</u>	<u>2,000</u>

9 Debtors

	2022/23 £000	2021/22 £000
Trade debtors	2,005	2,680
VAT	791	246
Local taxation debtors	4,325	3,951
Other debtors	9,642	6,011
Total	<u>16,763</u>	<u>12,888</u>

10 Cash & Cash Equivalents

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

	2022/23 £000	2021/22 £000
Cash held by the Authority	67	54
Cash held by North West FireControl (25% share)	89	117
Call account balance	16,161	17,725
Total	<u>16,317</u>	<u>17,896</u>

The call account balance is placed with Lancashire Country Council. Interest on these balances is paid to the Authority. The investments have an amortised cost at 31 March 2023 equal to their nominal value.

11 Creditors

	2022/23	2021/22
	£000	£000
Goods and services creditors	2,676	2,734
PAYE/NI	1,499	964
VAT	27	-
Local taxation creditors	3,457	3,873
Other creditors	2,599	1,726
	<u>10,258</u>	<u>9,296</u>

12 Provisions

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

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

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

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

	Insurance Liabilities		Business rates appeals		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Balance at 1 April	593	500	854	898	1,447	1,398
Amounts utilised	(89)	(97)	-	-	(89)	(97)
Unused amounts reversed	(130)	(37)	(229)	(85)	(359)	(122)
Additional provision	205	227	35	41	240	268
Balance at 31	<u>579</u>	<u>593</u>	<u>660</u>	<u>854</u>	<u>1,239</u>	<u>1,447</u>

13 Other Long-Term Liabilities

Other long-term liabilities comprise the following:

	2022/23 £000	2021/22 £000
Finance Lease Liability	-	33
PFI Liability (see Note 14)	11,868	12,351
PFI Contractor Loan (see Note 14)	45	50
Pension Liability (see Note 15)	651,536	883,218
	<u>663,449</u>	<u>895,652</u>

14 PFI Schemes

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

PFF Lancashire Limited

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

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

Under the contract PFF Lancashire Limited contributed £0.150m towards the development costs, which is repaid through the annual unitary charge on the life of the 30-year contract commencing in 2005/06. In accordance with recommended accounting practice, the reimbursement has been classed as a loan and the liability reflected as such in the Authority's accounts. At 31 March 2023 the total outstanding loan was £0.050m (2021/22: £0.055m).

Fire and Rescue NW Limited

The Authority is also involved in a second PFI project, with Merseyside Fire and Rescue Authority and Cumbria County Council to deliver 16 new fire stations, 4 of which will be in Lancashire. Contracts were signed with Balfour Beatty Fire and Rescue NW Limited in February 2011, with phased construction beginning in 2011/12 and completing in 2013/14.

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

Under the contract the Authority pays an annual unitary charge to Fire and Rescue NW Limited for serviced accommodation over the life of the contract, which runs for 25 years from initial handover of each station commencing in March 2011/12 for the Authority. The buildings and any plant installed in them at the end of the contract will be transferred to the Authority for

nil consideration. The estimated capital value of the total scheme at the point of financial close was £47.886m, and for the Authority was £12.161m.

All PFI Schemes

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

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

Payments remaining to be made under both PFI contracts and Government Subsidies to be received at 31 March 2023 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	853	483	1,263	2,599	1,734
Payable within 2-5 years	3,647	2,410	4,658	10,715	6,935
Payable within 6-10 years	5,160	4,620	4,199	13,979	8,648
Payable within 11-15 years	3,552	4,580	1,989	10,122	6,256
Payable within 16-20 years	275	258	13	545	365
Total	13,487	12,351	12,122	37,960	23,938

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

	2022/23 £000	2021/22 £000
Balance outstanding at the start of the year	12,795	13,202
Payments during the year	(444)	(407)
Balance outstanding at year end	12,351	12,795

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

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

The Authority participates in two pension schemes:

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance Fund via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	2,900	2,553	13,640	15,840
• Administrative expenses	41	34	-	-
• Past service cost	-	-	-	-
	2,941	2,587	13,640	15,840
Financing and Investment Income and Expenditure:				
• Interest cost	2,343	1,742	23,040	17,330
• Interest on scheme assets	(2,137)	(1,425)	-	-
	206	317	23,040	17,330
Total post-employment benefit charged to the deficit on provision of services	3,147	2,904	36,680	33,170
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	(10,297)	2,023	(234,480)	3,020
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(7,150)	4,927	(197,800)	36,190
Movement in reserves statement				
• Reversal of net charges made to the deficit on provision of services in accordance with the code	(2,799)	(4,583)	(10,080)	(9,590)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(348)	(344)	-	-
Net retirement benefits payable to pensioners	-	-	(26,600)	(26,600)

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

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

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

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

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

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

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

Retirement benefits payable to pensioners – the net payments made in respect of the Firefighter pension scheme. Note, the fund also received a top up grant of £17.794m (2021/22: £16.045m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 62.

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

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Opening balance at 1 April	(84,201)	(83,632)	(875,936)	(872,386)
Current service cost	(2,900)	(2,553)	(13,470)	(15,750)
Interest on liabilities	(2,343)	(1,742)	(23,040)	(17,330)
Contributions by scheme participants	(492)	(412)	(3,560)	(3,330)
Remeasurements (liabilities):				
Experience (gain)/loss	(6,669)	(208)	(49,400)	(7,270)
Gain/(Loss) on financial assumptions	34,604	1,901	259,250	10,290
Gain/(Loss) on demographic assumptions	1,885	644	24,630	-
Benefits/transfers paid	1,633	1,801	29,990	29,840
Past service cost	-	-	-	-
Closing balance at 31 March	(58,483)	(84,201)	(651,536)	(875,936)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Opening balance at 1 April	76,703	68,314	-	-
Interest on scheme assets	2,137	1,425	-	-
Remeasurements (assets)	354	8,043	-	-
Administrative expenses	(41)	(34)	-	-
Employer contributions	348	344	26,430	26,510
Contributions by scheme participants	492	412	3,560	3,330
Benefits paid	(1,633)	(1,801)	(29,990)	(29,840)
Closing balance at 31 March	78,360	76,703	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £2.305m (2021/22: gain of £9.240m).

Pension Asset Ceiling

An asset ceiling test limits the amount of the net pension asset that can be recognised to the lower of the amount of the net pension asset or the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan.

The Authority's LGPS asset ceiling has been calculated using the present value of accounting service cost in perpetuity less the total of present value of primary contributions in perpetuity and present value of secondary contributions over the recovery period.

LGPS	2022/23 £000	2021/22 £000
Gross defined benefit asset/(liability)	19,877	(7,498)
Authority's asset ceiling	-	-
Adjustment for asset ceiling	(19,877)	-
Net defined benefit asset/(liability)	-	(7,498)

Scheme history

	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(58,483)	(84,201)	(83,631)	(69,102)	(69,436)
Firefighters Pension Scheme	(651,536)	(875,936)	(872,386)	(805,506)	(857,236)
Fair value of assets in LGPS	78,360	76,703	68,314	61,932	61,783
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme (LGPS)	19,877	(7,498)	(15,318)	(7,170)	(7,653)
Firefighters Pension Scheme	(651,536)	(875,936)	(872,386)	(805,506)	(857,236)
Pension Asset Ceiling Adjustment:					
Local Government Pension Scheme (LGPS)	(19,877)	-	-	-	-
Firefighters Pension Scheme	-	-	-	-	-
Total	(651,536)	(883,434)	(887,704)	(812,676)	(864,889)

The liabilities show the underlying commitments that the Authority has in the long-term to pay post-employment benefits. The total liability of both schemes, £651,536m, has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet. However, statutory arrangements for funding the liability mean that the financial position of the Authority remains healthy:

- Whilst there is a surplus on the LGPS scheme any future deficits that may arise will sought to be recovered by annual repayments from/to the fund, as assessed by the scheme actuary, throughout the agreed surplus recovery period.
- Finance is only required to be raised to cover fire fighter pensions when the pensions are actually paid.

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

	Local Government Pension Scheme* £000	Firefighters' Pension Scheme** £000	Total £000
Estimated contributions	1,204	8,295	8,953

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

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

Basis for Estimating Assets and Liabilities

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

The Firefighters' Scheme has been assessed by GAD (the Government Actuarial Department), an independent firm of actuaries. Estimates for the Firefighters pension scheme are based on a 'roll forward approach' which updates the last full valuation on 31 March 2020, taking account of any significant changes since this. The Local Government Fund liabilities have been assessed by Mercer Resource Consulting Limited, an independent firm of actuaries. The last full valuation was as at 31 March 2022.

The principal assumptions used by the actuary have been:

	NWFC Local Government Pension Scheme		LCFA Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	21.2	21.2	21.5	22.3	21.2	21.5
Women	23.8	23.8	23.8	25.0	21.2	21.5
Longevity at 65 for future pensioners:						
Men	21.2	21.2	22.8	23.7	21.2	23.2
Women	25.5	25.5	25.6	26.8	21.2	23.2
Rate of CPI inflation	3.15%	3.15%	2.70%	3.30%	2.60%	3.00%
Rate of increase in salaries	3.85%	3.85%	4.20%	4.80%	3.85%	4.75%
Rate of increase in pensions	3.15%	3.15%	2.80%	3.40%	2.60%	3.00%
Rate for discounting scheme liabilities	2.75%	2.75%	4.80%	2.80%	4.65%	2.65%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%	50%	50%

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

Category	Quoted in active market	Assets at 31 March 2023		Assets at 31 March 2022	
		Fair Value £000	%	Fair Value £000	%
Equities	Y	1,645	2.1	1,571	2.1
Bonds	Y	1,325	1.7	1,861	2.4
Property	N	1,553	2.0	1,491	1.9
Cash/Liquidit	N	695	0.9	1,971	2.6
Other	N	73,142	93.3	69,448	91.0
Total		78,360	100.0	76,342	100.0

16 Usable Reserves

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

	2022/23		2021/22	
	£000	£000	£000	£000
Revenue Reserves:				
General Fund		(4,887)		(6,536)
Earmarked Reserves	(4,101)		(4,675)	
PFI Equalisation Reserve	(5,157)		(5,067)	
Total Earmarked Reserves		(9,258)		(9,742)
Total Revenue Reserves		(14,145)		(16,278)
Capital Reserves:				
Capital Funding Reserve		(20,344)		(17,672)
Capital Grants Unapplied		(27)		(40)
Usable Capital Receipts		(1,692)		(1,683)
Total Usable Reserves		<u>(36,208)</u>		<u>(35,673)</u>

17 Transfers (to)/from Earmarked Reserves

	Balance at 31.03.21 £000	Transfers in 2021/22 £000	Transfers out 2021/22 £000	Balance at 31.03.22 £000	Transfers in 2022/23 £000	Transfers out 2022/23 £000	Balance at 31.03.23 £000
General fund	(6,463)	(404)	331	(6,536)	(24)	1673	(4,887)
Earmarked Reserves	(6,175)	(2,035)	3,535	(4,675)	(1,207)	1,781	(4,101)
PFI Equalisation Reserves	(4,594)	(632)	159	(5,067)	(90)	-	(5,157)
Total Earmarked Reserves	(10,769)	(2,667)	3,694	(9,742)	(1,297)	1,781	(9,258)
Capital funding reserve	(17,967)	(3,055)	3,350	(17,672)	(4,300)	1,628	(20,344)
Capital grants unapplied	(101)	-	61	(40)	-	13	(27)
Usable capital receipts	(1,680)	(3)	-	(1,683)	(9)	-	(1,692)
Total Usable Reserves	(36,980)	(6,129)	7,436	(35,673)	(5,630)	5,095	(36,208)

18 Unusable Reserves

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

	2022/23	2021/22
	£000	£000
Revaluation Reserve	(75,306)	(56,221)
Capital Adjustment Account	(38,281)	(39,469)
Pensions Reserve	651,536	883,434
Collection Fund Adjustment Account	(207)	776
Accumulated Absences Adjustment Account	957	839
Total Unusable Reserves	538,699	789,359

Revaluation Reserve

	2022/23	2021/22
	£000	£000
Balance at 1 April	(56,221)	(47,400)
Upward revaluation of assets	(22,283)	(12,342)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	548	1,730
Difference between fair value depreciation and historical cost depreciation	2,649	1,791
Amount written off to the Capital Adjustment Account	-	-
Total Revaluation Reserve	(75,306)	(56,221)

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

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

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

Capital Adjustment Account

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

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

	2022/23		2021/22	
	£000	£000	£000	£000
Balance at 1 April		(39,469)		(38,893)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current	2,938		3,002	
• Revaluation losses on Property, Plant & Equipment	271		72	
• Amortisation of intangible	94		158	
Sub-total		3,303		3,232
Disposal of assets via the Comprehensive Income & Expenditure		-		-
Adjusting amounts written out of the Revaluation Reserve		-		-
Net amount written out of the cost of non-current assets consumed in the Capital financing applied in the year:		3,303		3,232
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-		-	
• Statutory provision for financing of capital investment charged against General Fund	(487)		(448)	
• Voluntary provision for financing of capital investment charged against General Fund	-		(10)	
• Use of capital reserves to fund expenditure	-		(977)	
• Capital expenditure charged to General Fund Balance	(1,628)		(2,373)	
Sub-total		(2,115)		(3,808)
Balance as at 31 March		<u>(38,281)</u>		<u>(39,469)</u>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The reserve relates to both the LGPS and Firefighters pension schemes, and the large negative value of the reserve reflects the unfunded nature of the Firefighters pension scheme.

	2022/23 £000	2021/22 £000
Balance at 1 April	883,434	887,704
Actuarial (gains) or losses on pensions assets and liabilities	(244,777)	(13,400)
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	39,827	36,074
Net payments to pensioners payable in the year	(26,600)	(26,600)
Employers pension contributions	(348)	(344)
	<u>651,536</u>	<u>883,434</u>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

	Council Tax		Business Rates		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(139)	372	915	1,989	776	2,361
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	144	(511)	-	-	144	(511)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	-	-	(1,127)	(1,074)	(1,127)	(1,074)
Balance at 31 March	5	(139)	(212)	915	(207)	776

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account manages the differences arising from the recognition of accrued employee costs in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund.

	2022/23 £000	2021/22 £000
Balance at 1 April	839	941
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	118	(102)
Balance at 31 March	<u>957</u>	<u>839</u>

19 Contingent Liability

There are no contingent liabilities.

20 Post Balance Sheet Events

As at the date of signing of the draft accounts, 28th July 2023, there have been no events either adjusting or non-adjusting.

21 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which states that any investment counterparty must have a minimum actual or implied credit rating of AA- to be eligible. The Authority will also have regard to recent banking reform legislation which provides for creditor 'bail-in' rather than state 'bail-out' of banks should the bank fail. The effect of this legislation is that a local authority is likely to lose a higher proportion of any assets caught up

in a credit event than almost any other type of institution. Credit risk control therefore means that unsecured bank deposits are, unless for very short duration, not suitable as an investment instrument in the future.

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

Trade Debtor Credit Risk

The Authority does not generally allow credit for customers, such that £0.409m of the £0.707m balance is past due date for payment. On a prudent basis the Authority has created a provision for expected credit losses to cover any potential loss arising from this, which currently stands at £0.033m which is considered sufficient for this purpose.

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

	2022/23 £000	2021/22 £000
0 to 30 days	298	13
31 to 60 days	23	62
61 to 90 days	154	8
91 to 180 days	1	6
Over 180 days	231	15
	<u>707</u>	<u>104</u>

Liquidity Risk

The Authority has a comprehensive cash flow management system (administered by Lancashire County Council's Treasury Management Team) that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from Lancashire County Council at current market rates. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity profile of our remaining debt is shown in the table below.

Value of PWLB loans maturing in future years as at 31 March 2023

Year	Loan Value (£000)
2035	650
2036	650
2037	700
Total	2,000

Market risk

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

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

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

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

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

Our financial assets are the cash deposits placed in a call account with Lancashire County Council. Interest received on them is linked to the base rate. Each working day the balance on the Authority's Call Account is invested to ensure that the interest received on surplus balances is maximised. The average balance within this account throughout the year was £26.6 million and, with no change in that level of balances, a 1% increase in the market rate of interest, if sustained over the whole year would give rise to additional interest earned of £266,000 and a 1% fall would give a reduction of the same amount.

22 Local Authority Controlled Company – NW FireControl Limited

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

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

An assessment for Group Accounting requirements has taken place during 2022/23 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

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

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

Key Information	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Total assets less Current Liabilities	351	321
Net assets*	638	(4,864)
(Loss) Before Taxation	(627)	(803)
(Loss) After Taxation	(634)	(803)
Debtor Balance (LFRS)	10	-
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,424	1,298
Invoices raised by LFRS to NW FireControl	-	-

*Net assets includes the future pension liabilities under IAS19 reported by the Cheshire Pension Fund actuaries.

All figures are shown net of VAT.

Transactions between LFRS and NW FireControl Limited include Invoices Raised by NW FireControl to LFRS for the Control Room service and use of facilities in the building.

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2023 for the final audited 2022/23 accounts.

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

	2022/23 £000	2021/22 £000
Depreciation	5,588	4,791
Impairment & downwards valuations	271	72
Amortisation	94	158
Increase/(decrease) in provisions	(207)	48
Increase/(decrease) in creditors	906	(2,670)
(Increase)/decrease in debtors	(3,783)	(2,003)
(Increase)/decrease in stock	(53)	21
(Increase)/decrease in LGPS pension	216	208
Movement in pension liability	12,879	9,130
NWFC 21/22 Capital Grants Unapplied	29	-
Total	<u>15,940</u>	<u>9,805</u>

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

	2022/23 £000	2021/22 £000
Interest received	(667)	(67)
Interest paid	1,366	1,386

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

25 Reconciliation of liabilities arising from financing activities

	Long-Term borrowings £000	Short-Term borrowings £000	Lease liabilities £000	Total £000
1 April 2022	14,350	444	76	14,870
Cash flows:				
Repayment	(483)	40	(43)	(487)
Proceeds	-	-	-	-
Non-cash:				
Acquisition	-	-	-	-
31 March 2023	13,867	484	33	14,383

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

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

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment Carrying value £126m (2021/22: £108.93m)	As at the valuation date, the RICS valuer notes continued market uncertainties in the wake of Brexit and Covid-19, and although materials costs remain high.	Most of the Authorities Property assets are valued under the Depreciated Replacement Cost (DRC) method, as specialised assets. There is the possibility that DRC valuations will increase due to shortages of raw materials and labour. It is estimated that a 1% increase in DRC valuations would increase the assets values by £1.3m.
Fair Value Measurements – PFI schemes Liability carrying value: £12.3m (2021/22: £12.8m) Fair value £13.5m (2021/22: £15.9m)	The liability initial carrying value is calculated from the present value of the future payments due and grant received for the life of the PFI scheme. This carrying value is then updated each year to reflect any inflationary increases and any repayments made. The fair value is calculated using the forecast payments and grant income for the remaining life of the scheme and applying a discount rate (we use the current AA rated bond yield rate forecast) to arrive at the fair value.	The Authority uses the Discounted Cash Flow (DCF) model to measure the fair value of its PFI liabilities. Fair value is calculated using the bond yield rates against the annual net cash flows. It is estimated that a 1% decrease in the discount rate would increase the fair value by £0.12m.

	The Fair Value is the estimated price at which the Authority would transfer the liability to another body. The bond yield rate forecasts have increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, is a product of both the underlying reduction in the liability because of repayments made during the year, and the increase in the future interest rates.	
Pension Liability Carrying value £619.6m (2021/22: £883.4)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to each scheme.	It is estimated that, for both pension schemes combined, a 0.5% increase in the discount rate would decrease the liability by £47m (2021/22: £84.5m), a 1% increase in pay growth would increase the liability by £13m (2021/22: £11m). In addition, a 1-year increase in the assumed life expectancy would increase the liability by £17m (2021/22: £33.5m).
LGPS Asset Ceiling Gross defined benefit asset £19.9m (2021/22: (£7.5m)) Net defined benefit asset £- (2021/22: (£7.5m))	The assumptions used are like those used to calculate the pension liability and actuaries are consulted to provide expert advice on the assumptions to be used.	The Authority has reduced the scheme's net asset to nil based on this assessment. It is estimated that a 1% increase in the future accounting service cost would have led to the Authority having a pension asset ceiling of £3.1m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

27 Expenditure and Income Analysed by Nature

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

	2022/23 £000	2021/22 £000
Expenditure		
Employee benefits expenses	42,073	40,247
Other services expenses	13,980	13,811
Support service recharges	-	-
Depreciation, amortisation, and impairment	5,953	5,020
Interest payments	24,634	19,056
Gain on disposal of fixed assets	(9)	(3)
Total expenditure	86,631	78,131
Income		
Fees, charges, and other service income	(2,542)	(2,271)
Interest and investment income	-	(206)
Income from council tax, business rates and revenue support grant	(59,611)	(56,515)
Government grants and contributions	(9,131)	(9,177)
Total Income	(71,284)	(68,168)
Surplus on the provision of services	15,347	9,962

28 Critical Judgements

Joint Operation – North West FireControl

An assessment for Group Accounting requirements has taken place during 2022/23 in respect of NW FireControl Limited. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

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

29 Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus)(Amendment) Regulations 2021, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom – 2022/23, supported by International Financial Reporting Standards (IFRS).

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

b Accruals of income and expenditure

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

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

c Cash & cash equivalents

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

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

d Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to cover these charges. However, it is required to make an annual contribution from revenue (Minimum Revenue Provision (MRP)) towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or a minimum of 4% of the previous years' Capital Financing Requirement balance. In addition to the statutory MRP calculated, the Authority may also make voluntary MRP contributions in line with approved budgets and to reduce the

ongoing borrowing requirement. Depreciation, impairment and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

e Employee Benefits

Benefits Payable During Employment

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

Post Employment Benefits

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

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

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

The Firefighters' Scheme

Under IAS19 the future costs of retirement benefits must be recognised in the accounts at the point at which the Authority becomes committed to paying them (the point when the benefits have been earned by the employee), even if the actual payment of benefits will be many years in the future.

This obligation to pay pensions benefits in the future is recognised as a liability in the Authority's Balance Sheet. In the service costs part of the Comprehensive Income and Expenditure Statement, transactions are recorded that indicate the change over the year in the pension liability. These are principally the future costs of pensions earned by Firefighters in service during the year. The transactions are not cash-based but, are actuarially-calculated amounts that reflect more closely the true changes in the scheme's long-term liabilities.

In calculating the liability for 2022/23, the actuary based the valuation on a roll forwards approach.

Top up grant received during the year from the Home Office to cover the pension costs of the above scheme are recognized in the Comprehensive Income and Expenditure Statement via adjustments in respect of the actuarial valuation.

The Local Government Pension Scheme

The same basic principles apply to the local government scheme with the difference being that, because this is a funded scheme (i.e. is backed by a portfolio of investments in equities, property etc), there are transactions recorded in the revenue account to reflect changes in the expected return on these assets. Like the transactions referred to above, these too, are actuarially-calculated figures.

On the Balance Sheet, the liability to pay future pensions is balanced, although currently not fully, by the fund's investment assets.

In calculating the liability for 2022/23, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2022/23, the actuaries used fair value basis for both derivatives and investments.

f Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. For all the borrowings the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable plus accrued interest and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

g Financial Assets measured at amortised cost

The Authority holds only one type of financial asset, loans, and receivables. These are its cash investments and debtors - assets that have fixed or determinable payments but are not quoted in an active market.

Investments are initially measured at fair value and carried at their amortised cost. For all the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the terms of the deposit agreement.

h Government Grants & Contributions

Government grants and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. When conditions have been satisfied, the grant is credited to the non-specific grant income line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

i Non-Current Assets

Non-current assets are included in the Balance Sheet at the estimated current value of the asset. They comprise:

- Property, plant & equipment - These are assets that have a physical substance which are used continuously to provide services or for administrative purposes.
- Intangible assets – Assets that do not have a physical substance but can be separately identified and controlled by the Authority (for example, software licenses). Spending on these assets is capitalised if the asset will bring benefit to the Authority for more than one financial year.

i) Recognition

All capital expenditure over the value of £10,000 on the acquisition or enhancement of non-current assets is capitalised in the accounts on an accruals basis, in accordance with the relevant statute, with the exception of fleet vehicles, which are capitalised providing the cost is over £5,000 and the asset life is over 5 years.

ii) Measurement

Land and buildings are revalued on a rolling five-year basis by a suitably qualified surveyor. As at 31 March 2023, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, carried out revaluations on the identified properties. All valuations are based on depreciated replacement cost, except for one property used as offices, valued at Existing Use Value.

All other non-current assets are valued at historic cost.

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

iii) Impairment

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

iv) **Disposals**

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

v) **Depreciation**

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

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

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

vi) **Componentisation**

From 1 April 2010, the Authority is required to separately recognise, depreciate and de-recognise significant components of assets, where the significant component has a different useful life to the remainder of the asset. Assets with a carrying value of less than £1.0m will not be subject to componentisation rules, and a significant component is one of over 25% of the asset carrying value. Components will only be recognised on assets valued after 1 April 2010.

vii) **Derecognition**

Assets will be derecognised when no further economic benefits are expected from the asset's use or disposal – i.e. when the economic benefits inherent in the asset have been used up.

j **Private Finance Initiative (PFI) and similar contracts**

Current Status

The Authority has two existing PFI arrangements:

- With PFF Lancashire for Hyndburn and Morecambe fire stations, which is a continuing commitment for 30 years from May 2003; and

- With Fire and Rescue NW Limited to replace four fire stations in Lancashire as part of a wider scheme to replace 16 in total in conjunction with Merseyside Fire and Rescue Authority and Cumbria County Council. The contract will run for 25 years from the date of the final station being handed over during 2013/14.

Revenue transactions relating to the above schemes are explained in [Note 14](#).

Accounting for PFI

PFI contracts are agreements to receive services, where responsibility for making available the non-current assets to provide services passes to the PFI contractor. The PFI scheme is accounted for on a consistent basis to IFRIC 12.

Recognition of assets and liabilities

Fire stations provided under PFI contracts are recognised as non-current assets of the Authority. A related liability is also recognised. The asset and liability are recognised when the asset is made available for use. The related liability is initially measured at the value of the related asset and subsequently calculated using the same actuarial method used for finance leases.

Once on the balance sheet the PFI assets will be treated in the same way as all other non-current assets of the same type including depreciation, impairment, and revaluation.

Minimum Revenue Provision (MRP)

Assets acquired under a PFI that are recognised on the balance sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP are calculated in accordance with the appropriate regulations and statutory guidance. MRP is equal to that element of the unitary charge which is applied to repay the outstanding liability.

Unitary Payment

The unitary payment is a monthly charge payable to the PFI contractor in return for the services provided. This payment is analysed into elements for the fair value of services, capital and revenue lifecycle (planned maintenance), contingent lease rentals, the repayment of the outstanding liability and interest payable on the outstanding liability. The fair value of the services and the revenue lifecycle element are charged to the revenue account. The capital lifecycle element is charged to the non-current assets and funded by a revenue contribution. The contingent lease rentals and interest payable are recorded in the "interest payable and similar charges" account outside the net cost of services but within net operating expenditure in the income and expenditure account.

Deductions from the Unitary Payment

The PFI contracts provide for deductions from the unitary payment in the case of substandard performance or when the facilities are unavailable. Deductions for substandard performance are accounted for as a reduction in the amount paid for the affected services. Deductions arising from the unavailability of the property are

apportioned pro rata to the proportions of the service and property elements of the unitary payment:

- A reduction for part or all the property being unavailable for use – this will first be accounted for as an abatement of the contingent lease rentals, then finance costs if contingent rents are insufficient; and
- A reduction in the price paid for services whilst services are not being provided accounted for as a reduction in the amount paid for the affected services.

Deductions of either type are accounted for when the Authority's entitlement has been established and it is probable that the Authority will be able to make the deduction.

k PFI Equalisation Reserve

The Authority holds two PFI equalisation reserves for the purpose of smoothing out, within the revenue account, the annual net cost to the Authority of payments under PFI contracts:

- In 2003/04 the Authority established a PFI equalisation reserve for the PFI contract with PFF Lancashire Limited. The contract relates to the provision and maintenance by PFF Lancashire Limited of two fire stations at Morecambe and Hyndburn; and
- In 2011/12 the Authority created a new PFI equalisation reserve in relation to the Authority's share of the PFI contract with Fire and Rescue NW Limited. The contract relates to the provision and maintenance of Blackburn, Burnley, Chorley, and Fleetwood fire stations.

An annual revenue contribution in lieu of interest will be made to the reserve. The reserve balance will be reviewed each year at which time the amount of any revenue contribution to or from the reserve will be determined.

l Provisions

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

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

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

m Reserves

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

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

n Contingent liabilities

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

o Going Concern

These accounts are prepared on a going concern basis, on the assumption that the Authority's functions will continue in operational existence for the foreseeable future. Our current Medium Term Financial Strategy (MTFS) shows a healthy reserves position, and a balanced budget in the short and medium term. We await the outcome of the multi-year settlement to clarify our estimates within our MTFS.

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

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

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

q Accounting Standards issued but not yet adopted

The Authority is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet

adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). There have been no amendments to the code since 2021/22.

Accounting of Leases (IFRS 16) implementation has been delayed until 1st April 2024 as agreed by CIPFA/LASAAC in spring 2022. However, both the 2022-23 and the 2023-24 codes allow for early adoption should an authority consider early implementation. Under the new standard, a right of use asset and lease liability will be recognised on the balance sheet. The depreciation of leased assets and interest on lease liabilities will go through the CIES. These are accounting changes and will not impact the cost of leasing to the organisation.

r Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority has one joint operation, North West FireControl Ltd (see [note 22](#) for details), and recognises:

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

Fire Fighters Pension Fund Account and Net Assets Statement

Fund Account	2022/23 Total £000	2021/22 Total £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(7,631)	(8,815)
- other contributions	(166)	(278)
- Members contributions	(3,448)	(4,330)
Transfers in:		
- Individual transfers from other schemes	(182)	(210)
Total Income to the Fund	(11,427)	(13,633)
Spending by the fund		
Benefits payable:		
- Pension payments	23,170	22,394
- Commutations of pensions and lump-sum retirement benefits	6,041	7,284
Transfers out:		
- Individual transfers out to other schemes	-	-
- Refunds of contributions	-	-
Total Spending by the fund	29,211	29,678
Net amount receivable for the year before top up grant receivable from central government	17,784	16,045
Top up grant receivable from central government	(17,784)	(16,045)
Net amount receivable for the year	-	-
Net Assets Statement	2022/23 £000	2021/22 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(5,996)	(5,086)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	5,996	5,086
Net current assets at the end of the year	-	-

Firefighters Pension Fund Notes

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

The above statement shows the financial position of the total fire fighters pension fund account, showing that as at 31 March 2023 the Authority is owed £5.996m (2021/22: £5.086m) by the Home Office in order to balance the account. The fund statements do not take account of liabilities after the period end, the Authority's long-term pension obligations can be found in the Authority's main statements and [Note 15](#) to the accounts. The fund was established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The statement was prepared according to International Financial Reporting Standards (IFRS).

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

Contribution Rates

To remove future discrimination and ensure equal treatment, all remaining protected members in the 1992 and 2006 scheme were transferred to the 2015 scheme on the 1st April 2022. For the 2015 Firefighter pension scheme employer contributions are 28.8% and employees contribute between 11.0% and 14.5% dependent on salary.

These contribution levels are set nationally by the Government and are subject to triennial revaluations by the Government Actuary's Department. One ill health retirement was recognised during 2022/23, and one in 2021/22.

Benefits Paid

Pensions are paid to retired officers, their survivors and others who are eligible for benefits under new and existing pension schemes.

Home Office Grant

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

Future Liabilities

The firefighters pension fund financial statements do not take account of liabilities to pay pensions and other benefits after the period end, however details of the firefighter's pension fund long-term pension obligations are recognised in the Authorities financial statements, details can be found in [Note 15](#).

Glossary of Terms

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the Balance Sheet date.

Amortised cost

Amortised cost is a valuation basis for financial instruments that, in the case of this Authority's assets and liabilities, is equal to their nominal value plus any interest accrued to the balance sheet date.

Budget

A statement which reflects the Authority's policies in financial terms, and which quantifies its plans for spending over a specified period. The Revenue Budget (i.e. spending other than capital expenditure) is normally finalised and approved in February prior to the commencement of the financial year.

Capital Expenditure

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

Capital Receipts

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

Comprehensive Income & Expenditure Statement

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

Creditors

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

Debtors

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

Fair Value

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

Financial Instrument

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

Financial Year

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

Financing Charges

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

Premiums and Discounts

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

Public Works Loan Board (PWLB)

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

Revenue Contribution to Capital Outlay

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

Revenue Expenditure

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

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 March 2024

External Audit – Letter of Representation

(Appendix 1 refers)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866804

Executive Summary

As part of the year-end process the Authority is required to sign a letter of representation on completion of the audit. This letter confirms that the Authority has 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 have been.

Recommendation(s)

The Committee is asked to authorise the signing of the letter of representation by the Chair of the Audit Committee.

Information

The letter of representation is attached as Appendix 1, and this requires signing by the Treasurer and Chair of the Audit Committee to confirm that there are no issues that should have been brought to the attention of the auditors, but which have not been.

Note that there is an additional representation included this year in relation to Reinforced Autoclaved Aerated Concrete (RAAC); that we have identified one building which we have highlighted to the auditor and confirm we are not aware of any other property in the Authority's portfolio that is impacted by this issue.

The Treasurer has confirmed that he will sign the letter at the meeting, as there are no further issues which he feels require disclosure.

Business risk

None.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

None.

Legal implications

None.

Local Government (Access to Information) Act 1985

List of background papers

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause



Grant Thornton UK LLP
 Royal Liver Building
 LIVERPOOL
 L3 1PS

Please ask for: Steven Brown
 Telephone: 01772 866804
 Email: stevenbrown@lancsfireandrescue.org.uk
 Your Ref:
 Our Ref: SB/JLW
 Date: 28 March 2024

Dear Grant Thornton UK LLP

**LANCASHIRE COMBINED FIRE AUTHORITY
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

This representation letter is provided in connection with the audit of the financial statements of Lancashire Combined Fire Authority for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Headquarters

Lancashire Fire & Rescue Service
 Garstang Road, Fulwood
 Preston
 PR2 3LH



- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include:
- Valuation of land and buildings
 - Depreciation of property and equipment
 - Valuation of pension liabilities and assets
 - Fair value measurements of PFI schemes

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements
- xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.
- xvi. We have assessed our property and estates for any potential instances of reinforced autoclaved aerated concrete (RAAC). We have identified one building which we have highlighted to the auditor. We confirm we are not aware of any other property in the Authority's portfolio that is impacted by this issue. We confirm the values of property in the financial statements remain appropriate and are not subject to impairment.

Information Provided

- xvii. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- a. management;
 - b. employees who have significant roles in internal control; or

- c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 28 March 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 March 2024

External Audit – Audit Findings Report

(Appendix 1)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866804

Executive Summary

The external auditor is required to produce an Audit Findings Report summarising the conclusions from their work undertaken as part of the year-end audit of accounts. As highlighted in the report work is substantially complete and the auditors expect to issue an unqualified audit opinion following this Audit Committee meeting subject to receipt of the management letter of representation and final quality procedures.

The Value for Money (VFM) work has also been completed and the detailed commentary is set out in the separate Auditors Annual Report also on this agenda.

Recommendation(s)

The Committee is asked to note and endorse the matters raised in the report and Action Plan set out in Appendix 1 within the Audit Findings Report.

Information

Under the statutory Code of Audit Practice for Local Government bodies our external auditors Grant Thornton are required to issue a report to those charged with governance summarising the conclusions from their audit work. This draft report, known as the Audit Findings Report, is attached as Appendix 1, and will be presented by the Audit Manager.

The report sets out that the audit is substantially complete, and the auditors expect to issue an unqualified audit opinion following this Audit Committee meeting subject to receipt of the management letter of representation and final quality procedures.

Business risk

None.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

The audit fee is set out in Appendix E of the Audit Findings Report.

Legal implications

None.

Local Government (Access to Information) Act 1985**List of background papers**

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

The Audit Findings for Lancashire Combined Fire Authority

Year ended 31 March 2023



Contents



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Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – Audit of Financial Statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit Adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Auditing developments](#)
- G. [Audit opinion](#)
- H. [Audit letter in respect of delayed VFM work](#)

Page

- 3
6
20
22

25
26
28
29
33
34
35
40

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Georgia Jones

For Grant Thornton UK LLP

Date: March 2024

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority’s (‘the Authority’) and the preparation of the Authority’s financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Page 97

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report whether, in our opinion:

- the Authority’s financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed during August 2023 to February 2024. Our findings are summarised on the following pages. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work which are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

Our work is now near completion and there are no matters of which we are aware that would require modification of our audit opinion (Appendix G). Since our last report to you we have completed the following areas of work;

- verified the responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- checked the International Financial Reporting Interpretation Committee (IFRIC 14) assessment from the actuary on the amount of pension fund asset (surplus) in the LGPS scheme and tested the amendments to the financial statements (as set out in Appendix D)
- tested the updated Government Actuary Department (GAD) report which reflects part year inflation for the valuation of the Firefighters pension fund and agreed the revised entries in the financial statements (as set out in Appendix D)
- completed testing on areas of land and buildings valuations, including examining the assessment of the impact of reinforced autoclaved aerated concrete (RAAC)
- completed testing on the fair value of financial instruments
- examined the Information Technology (IT) assessment on the data migration controls to the new Oracle Fusion system and completed additional work in this area; and
- checked the final set of financial statements.

Our work is substantially complete subject to:

- receipt of the final management representation letter; and
- completing our final quality procedures.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified.

Our work on the Authority’s value for money (VFM) arrangements is now complete. The outcome of our VFM work is reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report (AAR).

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report. We identified a significant weakness in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Authority for their support in working with us constructively to get to completion by this point.

National context – level of borrowing

All local government bodies are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on local government budgets, there are concerns as local government bodies look to alternative ways to generate income. We have seen an increasing number of councils and other local government bodies look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by local government bodies' existing resources, we have also seen some local government bodies take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on local government bodies, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Lancashire Combined Fire Authority has debt of £2m at 31 March 2023. All the debt is from the Public Works Loans Board (PWLb) and is all at fixed rates of interest and is repayable on maturity. We have not identified any areas of risk in the Authority's Treasury Management activities.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 28 March 2024, as detailed in Appendix G.

Our work is complete subject to:

- receipt of the final management representation letter; and
- completing our final quality procedures.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Amount (£) Qualitative factors considered

Materiality for the financial statements	1,181,560	This equates to 2% of your gross operating expenditure for the 2021/22 year (1.88% of 2022/23 gross expenditure) and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.
Performance materiality	886,170	The performance materiality has been set at 75% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	59,100	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality benchmarks remain the same as reported in our audit plan in June 2023. We set out in this table our determination of materiality for the Authority.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Authority, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design and implementation of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk journals For example: - journals created by senior management - journals which impacted the financial outturn - year-end adjustment journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year, we identified 38 higher risk or unusual journals that warranted detailed audit testing. From the testing carried out there has been no evidence of inappropriate management override of controls through journals. Our commentary on key accounting estimates is set out on pages 13 to 15. We found accounting policies to be appropriate other than for depreciation on assets first brought into use. We noted the Authority do not charge depreciation on assets in the year of acquisition and when brought into use as required by the CiPFA Code ref 4.1.2.44. Depreciation is charged from the following financial year. The impact of this for the 2022-23 financial statements would be a maximum £46k on the assumption assets were depreciated when bought into use on receipt (see the Action Plan recommendation in Appendix B for further details).

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Practice Note 10, issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition. These presumptions can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition or the manipulation of expenditure recognition.

Having considered the risk factors set out in ISA240 and PN10 and the nature of the expenditure streams at the Fund, we have determined that the risk of fraud arising from revenue recognition and expenditure manipulation can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition and expenditure are very limited
- classes of expenditure that could be prone to manipulation, such as management expenses and payments to and on account of leavers are not material
- the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider these to be significant risks for Lancashire Combined Fire Authority.

Commentary

The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we:

- evaluated the Authority's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code
- updated our understanding of the Authority's system for accounting for income and expenditure and evaluated the design of relevant controls
- undertook detailed substantive testing on the income and expenditure streams in 2021/22.

Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings

The Authority revalues its land and buildings on a rolling five yearly basis with 20% of assets valued each year. In the intervening years the Authority requests a confirmation through a desktop exercise from its engaged valuation expert to ensure that there is no material difference. This valuation £118.327m represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally for land and buildings, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where annual valuations are not carried out.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year including investment properties, to see if they had been input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

As part of our overall audit work we tested 33 asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population. In completing our work we examined the accounting entries, data and assumptions used and relevant asset indices.

The Authority has identified it has one property impacted by Reinforced autoclaved aerated concrete (RAAC). This reduced the value of the property by £840k in 2023/24. We completed additional work to gain assurance on whether there is any other potential impact across the Authority's property portfolio for 2022/23. We are satisfied there is no material impact on the 2022/23 financial statements.

Our audit work has not identified any other issues in respect of valuation of land and buildings (see page 13 for further commentary on estimates used by management).

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Pension Fund Net Liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability of £619.619m is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation.

With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Audit commentary

The pension fund net liability of £619.619m is made up of the Firefighters pension scheme (FFPS) net liability of £639.496m and Local Government pension scheme net asset of £19.877m. The Authority should show the pension liability and pension asset as separate balances and not net these off in the financial statements.

Where a pension fund asset arises the Authority should consider the potential impact of International Financial Reporting Interpretation Committee (IFRIC) 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This limits the amount of any net defined benefit asset to a ceiling which is the present value of those future benefits. The Authority obtained an IFRIC 14 assessment from its actuary which concluded the asset ceiling as £nil. The Authority has now updated the financial statements to reflect this assessment (see Appendix D).

Discussions were held with the Government Actuary's Department (GAD) on the level of inflationary increases within their assessment of the year end liability. GAD had not accounted for part year inflation within their figures. As a result, the Authority received a revised assessment which increased the FFPS year-end liability by £12,040k (from £639,496k to £651,536k).

2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary and controls weaknesses	
New General Ledger Incomplete or inaccurate financial information transferred to the new general ledger	In January 2023 Lancashire Combined Fire Authority moved from using Oracle E- Business Suite (EBS) ledger system to Oracle Fusion, which is a cloud-based system. Lancashire County Council (LCC) host the Oracle Fusion system on behalf of Lancashire Combined Fire Authority and process employee, supplier and customer personal and financial data. It is important when implementing a new significant accounting system that sufficient controls are in place to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system and potential challenges in producing robust control account reconciliations and detailed transaction reports. We are aware that LCC experienced problems with the data migration from the Oracle EBS to Fusion system and there were also instances of data breaches (although our understanding is that these data breaches did not relate to Lancashire Fire and Rescue Service data). The IT work examining the controls in place over the data migration reported some controls deficiencies within the implementation of the new Oracle Fusion system. The significant controls weaknesses included: • Lack of proper documentation and retention of the IT project related activities • Business users with inappropriate administrative access to Oracle EBS and Oracle Fusion • Insufficient retention of documents related to Oracle Fusion system changes and access provisioning • Lack of formal process in managing Oracle Fusion self-assigned roles. The above-mentioned IT deficiencies have been included in detail on page 27 in Appendix B along with our recommendations and management responses.	Auditor response To gain assurance over the completeness and accuracy of the data migration from Oracle EBS to Oracle Fusion for the preparation of the 2022/23 financial statements we carried out a full substantive test on the balance transfer. We found these were all correctly entered in the new Oracle Fusion system. In addition, we completed additional work to check user access controls as part of our work on journals with no issues arising.
		Auditor view Although there were control issues over the data migration to the Oracle Fusion system, we found the ledger balances were all correctly transferred for the compilation of the 2022/23 financial statements.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land & Buildings (OLB) – £81.895m	Land and buildings are specialised assets such as fire stations, the Fire HQ and other operational buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. There are only £19k of land and buildings that are not specialised are valued at their existing use (EUV).	We completed the following work.	Light purple
PFI Assets – Land & Buildings – £36.432m		- We assessed the valuer used as management's expert, Amcat Limited, as competent, capable and objective - We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate - We have evaluated the method, data and assumptions used by management's expert to derive the accounting estimate to be reasonable - We confirmed that the valuation method remains consistent with the prior year - We confirmed the consistency of the estimate using information on Local Government asset values movements 22/23 provided by Montagu Evans (appointed by the NAO), and reasonableness of the increase in the estimate - We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts - We have confirmed the adequacy of the disclosure of the estimate in the financial statements - We have confirmed the appropriateness of alternative site assumptions.	
Total Land and Building valuations £118.327m	The Authority has engaged Amcat Limited to complete the valuation of its land and buildings as at 31 March 2023 on a five yearly cyclical basis. 20% of total assets were fully revalued during 2022/23 with the remaining 80% subject to a desktop valuation exercise. The total year end valuation of land and buildings was £118.327m, a net increase of £18.038m from 2021/22 (£100.289m).	We consider the level of disclosure in the financial statements to be appropriate. We selected a sample of 33 Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. We have not identified any significant issues from this testing.	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Firefighters' Pension Scheme Net pension liability – £639.496m

The Authority's total net pension liability at 31 March 2023 is £619.619m (2021/22 £883.434m) comprising the unfunded defined benefit pension obligations of the Firefighters Pension Scheme and the Lancashire County Pension Fund Local Government Pension Scheme.

Firefighter's Pension Scheme

The Authority uses Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from the Firefighters' Pension Scheme.

A full actuarial valuation is required every four years. The latest full actuarial valuation was completed as at 31 March 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £246.520m actuarial gain during the year.

Local Government Pension Scheme

The Authority uses Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from the LGPS.

A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

We have completed the following work on the estimate:

- assessed the Authority's actuaries, GAD and Mercer, to be competent, capable and objective.
- performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns and have no issues to raise.
- used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7-4.9%	●
Pension increase rate	2.8%	2.70% p.a. for all employers	●
Salary growth	4.2%	1.25% - 1.50% p.a. above CPI.	●
Life expectancy – Males currently aged 45/65	22.8 21.5 yrs	22.4-24.3 21-22.6 yrs	●
Life expectancy – Females currently aged 45/65	25.6 23.8 yrs	25.3-26.6 23.5-24.7 yrs	●

- confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- conducted an analytical review to confirm the reasonableness of the Authority's share of LGPS pension assets.
- assessed the reasonableness of the change in estimate.
- reviewed the adequacy of disclosure of estimate in the financial statements.
- confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above.
- examined the IFRIC 14 assessment of the pension fund asset on the local government scheme.

continued

Light purple

Page 108
GPS Net pension asset – £19.877m

Total Net pension liability – £619.619m

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Firefighters' Pension Scheme Net pension liability – £639.496m		Conclusion The Lancashire Pension Fund auditor has provided assurances on the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The Authority obtained an IFRIC 14 assessment from its actuary which concluded the asset ceiling as £nil. The Authority has now updated the financial statements to reduce the Local Government pension fund net asset from £19.877m to £nil (see Appendix D). Discussions were held with the Government Actuary's Department (GAD) on the level of inflationary increases within their assessment of the year end liability. GAD had not included part year inflation in their original calculations. As a result, the Authority received a revised assessment which increased the year end liability by £12,040k (from £639,496k to £651,536k). The Authority has updated the financial statements to reflect this (see Appendix D).	Light purple
GPS Net pension asset – £19.877m			
Total Net pension liability – £619.619m			

Page 110

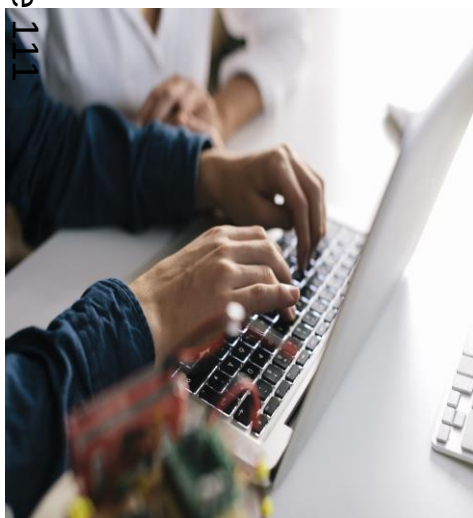
Assessment

- 16

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 111



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which will be re-signed on closure of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking institutions and local authorities with whom the Authority has money on deposit. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. We noted the Authority do not charge depreciation on assets in the year of acquisition and when brought into use as required by the CiPFA Code ref 4.1.2.44. Depreciation is charged from the following financial year. The impact of this for the 2022-23 financial statements would be a maximum £46k on the assumption assets are depreciated when bought into use on receipt (see the Action Plan recommendation in Appendix B for further details). Our review found no material omissions in the financial statements, other than those mentioned in Appendix C - disclosure misstatements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Page 112

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: - the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities - for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: - the nature of the Authority and the environment in which it operates - the Authority's financial reporting framework - the Authority's system of internal control for identifying events or conditions relevant to going concern - management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: - a material uncertainty related to going concern has not been identified - management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Annual Governance Arrangements and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as reported at Appendix G.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have reported a significant weakness on financial sustainability as part of our value for money assessment within our Annual Auditor report.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Authority has not exceeded the NAO's thresholds. We will complete the Assurance Statement in line with the issue of our Auditor report.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Lancashire Combined Fire Authority in the audit report, as detailed in Appendix G.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report.

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. The risk we identified is detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix G.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability Significant weakness in arrangements identified in relation to the Authority's level and use of reserves to manage its financial position.	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.	The Authority has an established and consultative approach to setting its annual budget, Medium-Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and a grasp of the financial challenges it faces. Like many other Authorities, however, it faced significant financial pressures moving into 2022/23 and overspent its revenue budget by £1.673 million (2.65% of the Net Revenue Budget) causing it to draw down on its General Fund Reserves. The 2023/24 budget includes a challenging savings target of £1.9 million to be delivered. In addition, there is a funding gap of £0.3 million which the Authority has made provision to be drawn down from general reserves. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27. At the time of writing the AAR, the year-end forecast for 2023/24 is an overspend of £0.176 million. The Authority does have a good track record of delivering savings; however; it needs to consider a longer term solution to deliver greater efficiencies. Otherwise, the Authority is facing an increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves. Due to the significance of the challenge and the current level of risk at the present time, we have identified a significant weakness in the Authority's arrangements relating to financial sustainability.	Key recommendation The Authority needs to ensure it maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled. The Authority should: - Develop a plan to address its general reserves position and its current use of reserves to balance its financial position. It needs to set out how its General Fund will be brought to a level that mitigates the risk to future financial sustainability. - Continue to take steps to contain expenditure and deliver sustainable savings.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and 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.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff that would exceed the threshold set in the Ethical Standard

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit opinion
- H. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Page 119

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	Fixed asset register As part of our work testing the detail for individual assets held within the fixed asset register, we noted that 9 assets had negative net book values at 31 March 2023. This is due to excess depreciation charged against the cost or value. The total excess depreciation was £190k on assets with a gross value of £587k, resulting in additional depreciation charged against the assets. In addition there are around £5.5m of assets in the FAR with nil NBV's which the authority still has but which need reviewing to determine any residual useful economic lives (UEL's) and continuing usage.	We recommend the Authority examine the fixed asset register to ensure excess depreciation is not charged against fully depreciated assets and correct this for future years. It should also examine those assets with nil NBV's to determine any residual UEL. Management response The assets with a negative net book value will be corrected during 2023/24 and new procedures will be put in place to ensure assets are not depreciated beyond their cost or value in the future.
●	Journal entry testing As part of our work testing the journals, we identified an issue with journals listing we obtained as it did not contain the complete information such as the preparer name and the name of person authorizing the journal. The system allows journals to be self authorized and we found this did occur in some cases. This is a control risk, although not uncommon in smaller finance teams. The Authority does have an additional review process to compensate for this control issue.	We recommend the Authority looks into whether the system can be updated to include details of preparer/authoriser. Management response A new process was implemented towards the end of 2022/23 to record the journal preparer and approver. The approval of journals is required by Accountants, or more senior members of the Finance Team, and this is required to be saved within the journal file. A journal register records the unique journal reference, accounting period, preparer, and approver. This is reviewed to minimise the risk of self-authorisation on journal postings.
●	Depreciation on assets brought into use The Authority do not charge depreciation on assets in the year of acquisition and when brought into use as required by the CiPFA Code ref 4.1.2.44. Depreciation is charged from the following financial year. The impact of this for the 2022-23 financial statements would be a maximum £46k on the assumption assets were bought into use on receipt.	Although there is no significant impact on the 2022-23 financial statements in not charging depreciation on assets when first brought into use this is not in line with the CiPFA Code we recommend the Authority examine this policy for future years. It should ensure the economic benefit from newly acquired assets, particularly those with a significant value, are charged appropriately in the financial statements to reflect the period of use. Management response Consideration will be addressed annually at Audit Committee on the review of all accounting policies.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements (Contd.)

Based on our IT Audit team's work, 4 significant deficiencies have been identified in their system testing which have been listed below along with their potential impact on financial statements and financial audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that the IT audit team has identified during the course of their work and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	Lack of proper documentation retention of the IT project activities This deficiency has the potential to impact the audit approach due to the pervasive nature of the deficiency. There is a risk that - non-standard reports have not been sufficiently tested as part of the project activities - system configurations have not been sufficiently tested - the opening balances may not be complete and accurate, or there could be presentational differences from the change to the chart of accounts.	We recommend the Authority ensures to retain proper documentation of the IT project activities and consider the potential impacts we have mentioned relating to the deficiency. Management response The finance system LFRS uses is owned by LCC and a SLA is in place. All shared project activities are owned and managed by LCC and LFRS test as an end user. Several non-standard reports remain in development, however there is confidence in general ledger reporting of opening balances.
●	Business users with inappropriate administrative access to Oracle EBS and Oracle Fusion This deficiency has the potential to impact the audit approach due to the pervasive nature of the deficiency. There is a risk that erroneous postings have been made due to the privileges held.	We recommend the Authority looks into whether the system can be updated for the user accesses to both the systems. Management response There is awareness at LFRS that there has been a general system issue with inappropriate access, however there is confidence that there has been no unauthorised postings to LFRS general ledger. Work is ongoing with LCC for robust control of access.
●	Insufficient retention of documents related to Oracle Fusion system changes and access provisioning User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	We recommend the Authority ensures proper documents related to Oracle Fusion system changes and access provisioning. Management response LFRS have an ongoing open request with LCC for user access reporting to manage and control accesses.
●	Lack of formal process in managing Oracle Fusion self-assigned roles User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	We recommend the Authority ensures appropriate alignment to job role requirements which may not lead to inappropriate access within the application or underlying data. Management response LFRS do not have access to permissions management in Oracle Fusion. Any amendment in requirement is approved and submitted to LCC by senior LFRS Finance staff. There are robust inhouse controls to manage the LFRS approval hierarchy, including regular review by the Financial Accountant.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Lancashire Combined Authority’s 2021/22 financial statements, which resulted in 1 recommendations being reported in our 2021/22 Audit Findings report.

We have followed up on the implementation of our recommendation and provide an update in the table.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Password security – Oracle database 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 character as per leading practices. We recommended password security access to the Oracle database is set to a minimum 8-character length to help prevent unauthorized access to the system.	The finance system used in 2021/22 was upgraded to Oracle Fusion during 2022/23. We are currently completing our work to examine the underlying controls within the newly implemented system. Our IT team are currently assessing the process and controls that were in place in relation to the data transfer. We will report further on completion of their work in this area. Management response: The password length for Oracle Fusion is a minimum of 16 characters and therefore meets the minimum length of eight characters recommended by leading practices.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Other long term liabilities				
Pension Funds				
1. LG pension asset reduced to nil (asset ceiling under IFRIC 14)				
Pension liability (long term)		Cr 19,877		
Pension reserve (actuarial (gains)/loss)	Dr 19,877			
2. FFPS revised GAD assessment				
Pension liability FFPS (long term)	Dr 12,040	Cr 12,040		
Pension reserve (actuarial (gain)/loss)				
Creditors				
Debtor balances netted from creditors shown gross				
Creditors		Cr 92		
Debtors		Dr 92		
Overall impact	Dr 31,917	Cr 31,917	Dr 31,917	Cr 31,917

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Excess depreciation charged PPE		Dr 190			Immaterial
Negative depreciation	Cr 190		Cr 190	Dr 190	
Unaccrued expenses					
Net Cost of Services	Dr 276		Dr 276	Cr 276	Immaterial
Short-Term Creditors		Cr 276			
Overall impact	Dr 86	Cr 86	Dr 86	Cr 86	

D. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Detail	Adjusted?
Narrative Report	The Authority made some updates to the details within the Narrative Report to ensure this was consistent with other entries in the financial statements.	✓
Note to the Expenditure and Funding Analysis (note 1a)	The Authority updated the totals in the comparative 2021/22 table which were incorrect.	✓
Employees emoluments and Senior officers remuneration (note 3)	The Authority corrected some compilation errors in the tables to reflect: - a reduction in total employee emoluments bandings for 2022/23 to 147 (previously 148) - changes in the pension contributions and total remuneration in the 2021/22 comparative table for 2 Directors.	✓
Property, plant and equipment movements (note 6) Capital expenditure analysis.	The Authority amended the details within the capital expenditure analysis 2022/23 for Intangible assets and revenue contributions to capital to make these consistent with other entries in the financial statements.	✓
Assets and Liabilities in Relation to Post-employment Benefits (note 15)	The Authority corrected a transposition error for the Gain/(Loss) on financial assumptions from a negative value to a positive one (£295,950k). The Authority corrected the various values in note 15 to align with the amended figures for the LGPS and Firefighters pensions scheme (as set out in the adjustments table).	✓
Financial Instruments (note 8)	The Authority corrected the fair value for the PWLB loans from £3,134 to £1,195 on receipt of updated figures from Lancs County.	✓
Assumptions made about the future and other major sources of estimation and uncertainty (Note 26)	The authority has included disclosure around assumptions made about the future and other major sources of estimation and uncertainty. Included LGPS Asset Ceiling as new item with its corresponding description of uncertainty and effect if actual results differ from assumptions.	✓
Minor presentational updates	Various minor amendments to narratives and disclosures.	✓

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Creditor	0	Decrease 550	0	0	Not material
Provisions		Increase 550			
The Authority included a creditor for ongoing pensionable allowance claims. These first arose in 2019/20 and are still subject to legal challenge and for which the outcome is uncertain. We recognise the prudence of including these but as the outcome is uncertain they should be held as a provision, rather than a creditor.					
Overall impact	£0	£0	£0	£0	



E. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Scale fee published by PSAA 2022/23	£29,295	£29,295
<i>Issues not included in the above</i>		
Additional work on Value for Money (VfM) under new NAO Code	£8,000	£8,000
Increased audit requirements of revised ISA 540	£1,800	£1,800
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£2,000	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
Local risk factors – general ledger	£200	£3,000
Increased audit requirements of revised ISA 315	£2,000	£2,000
IFRIC 14 additional costs		£4,000
GAD additional costs		£1,500
Total audit fees 2022/23 (excluding VAT)	£43,795	£52,095

Reconciliation of fees to Note 4 of the financial statements.:

Fees per financial statements £43.8k

Additional costs £5.5k

General ledger uplift £2.8k

Final fees £52.1k

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Page 128

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: - the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures - the identification and extent of work effort needed for indirect and direct controls in the system of internal control - the controls for which design and implementation needs to be assess and how that impacts sampling - the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: - increased emphasis on the exercise of professional judgement and professional scepticism - an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence - increased guidance on management and auditor bias - additional focus on the authenticity of information used as audit evidence - a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: - clarification of the requirements relating to understanding fraud risk factors - additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion - DRAFT

Our audit opinion is included below. We anticipate we will provide the Authority with an unmodified audit report.

Independent auditor's report to the members of Lancashire Combined Fire Authority

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements, comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include notes to the core financial statements and firefighters pension fund notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

G. Audit opinion

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Treasurer

As explained more fully in the Statement of Responsibilities set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, and the Fire and Rescue Services Act 2004). We also identified the following additional regulatory frameworks in respect of the firefighters' pension fund, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- large and unusual journal entries; and
- accounting estimates and critical judgements made by management.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and the defined pension fund net liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and the defined pension fund net liability valuations.
- we remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

G. Audit opinion

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Lancashire Combined Fire Authority for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

H. Audit letter in respect of delayed VFM work

Councillor John Shedwick
Chair of Audit Committee

17 November 2023

Dear Councillor Shedwick
Delayed Value for Money reporting

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones
Director



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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 March 2024

External Audit – Auditors Annual Report

(Appendix 1 refers)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866804

Executive Summary

Under the National Audit Office Code of Audit Practice, the external auditors are required to consider whether the service has out in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The external auditors report on this requirement within the attached Auditors Annual Report along with a summary of their work on the financial statements discussed earlier on this agenda. The Auditors Annual Report is attached as Appendix 1.

Recommendation(s)

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

Information

As reported earlier on this agenda and contained in the Auditor's Annual Report, the audit is substantially complete, and the auditors expect to issue an unqualified audit opinion following this Audit Committee meeting subject to receipt of the management letter of representation and final quality procedures.

The auditors have made some improvement recommendations and has identified a significant weakness resulting in a key recommendation arising from their work on the Authority's value for money arrangements to secure economy, efficiency, and effectiveness in its use of resources. This key recommendation and management response is set out on page 6 and 7 of the Auditor's Annual Report. The Committee will note from the management comments that they are satisfied this key recommendation has been addressed in setting the budget for 2024/25.

Business risk

None.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

None.

Legal implications

None.

Local Government (Access to Information) Act 1985**List of background papers**

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

Auditor's Annual Report on Lancashire Fire and Rescue Service

Page 139

2022/23

March 2024



Contents



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.



Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	05
Key recommendations	06
Securing economy, efficiency and effectiveness in the Service's use of resources	07
Financial sustainability	08
Financial governance	12
Improvement recommendations	13
Governance	14
Improvement recommendations	18
Improving economy, efficiency and effectiveness	23
Follow-up of previous recommendations	28
Opinion on the financial statements	30
Appendices	
Appendix A – Responsibilities of the Service	33
Appendix B – An explanatory note on recommendations	34

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 key recommendation(s)

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 Service's arrangements under specified criteria and 2022/23 is the third 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 Service's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on arrangements	2021/22 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified during the initial risk assessment and planning process.	Significant weakness in arrangements identified in relation to the Authority's level and use of reserves to manage its financial position. One key and one improvement recommendation has been made.	No significant weaknesses in arrangements identified, but two improvement recommendations made	↓
Governance	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified but five improvement recommendations made.	No significant weaknesses in arrangements identified.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified but two improvement recommendations made.	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 (continued)



Financial sustainability

The Authority has an established and consultative approach to setting its annual budget, Medium-Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and a grasp of the financial challenges it faces. Like many other Authorities, however, it faced significant financial pressures moving into 2022/23 and overspent its revenue budget by £1.673 million (2.65% of the Net Revenue Budget) causing it to draw down on its General Fund Reserves.

The 2023/24 budget includes a challenging savings target of £1.9 million to be delivered. In addition, there is a funding gap of £0.3 million which the Authority has made provision to be drawn down from general reserves. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27.

At the time of writing this report, the year-end forecast for 2023/24 is an overspend of £0.176 million.

The Authority does have a good track record of delivering savings; however, it needs to consider a longer term solution to deliver greater efficiencies. Otherwise, the Authority is facing an increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves.

Due to the significance of the challenge and the current level of risk at the present time, we have identified a significant weakness in the Authority's arrangements relating to financial sustainability.

We have raised a key recommendation. See page 6 for more detail.



Governance

In general, we found that the Authority has appropriate in place to ensure it manages its risk, gains assurance over the effective operation of internal controls and arrangements to prevent and detect fraud, make properly informed decisions and monitor and ensure appropriate standards are in place.

We noted there were a number of policies and procedures that require to be updated and have recommended that the Authority update the Constitutional, Procedural and Contractual Standing Orders bringing them together as a complete document, supported by underpinning guidance and policies.

Our work has not identified any evidence which leads us to conclude that there are significant weaknesses present, however we have raised five improvement recommendations designed to further enhance the arrangements in place. See pages 19 – 23 for more detail.



Improving economy, efficiency and effectiveness

The Authority has embedded processes in place to monitor and report upon its corporate performance; documenting where corrective action is being taken and supported by clear reporting of trends and causes.

Our work has not identified evidence of significant weaknesses within the arrangements in place, however, we have raised two improvement recommendations designed to further enhance arrangements. See pages 27 – 28 for more detail.



Financial Statements opinion

We in the process of completing our audit of your financial statements. At the time of writing we intend to issue an unqualified audit opinion on completion of the work. Our findings are set out in further detail on page 6.



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 Service'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 in the process of completing our audit of your financial statements. At the time of writing we intend to issue an unqualified audit opinion on completion of the work.

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:

We did not issue an advisory notice.

- 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.

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 judicial review.

Key recommendations

Key Recommendation 1

The Authority needs to ensure it maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled. The Authority should:

- Develop a plan to address its general reserves position and its current use of reserves to balance its financial position. It needs to set out how its General Fund will be brought to a level that mitigates the risk to future financial sustainability.
- Continue to take steps to contain expenditure and deliver sustainable savings.

Identified significant weakness in arrangements

We have identified a significant weakness in the Authority’s arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. In particular, it has made use of reserves to cover unplanned spending in 2022-23 and balancing its 2023-24 budget; and is (at the date of this report) forecasting a further overspend outturn position in 2023-24.

The Authority’s risk profile is heightened by its relatively low levels of revenue reserves available. We acknowledge the Authority has significant capital reserves but these are in relation to anticipated capital rather than revenue use.

Summary findings

The Authority set its revenue budget for 2022/23 at £63 million. The outturn position was an overspend of £1.673 million. The 22/23 year-end overspend has been drawn down from the general reserves balance; reducing the balance to £4.37 million at 31st March 2023.

The Authority set its minimum level of reserves at £4 million in 2022/23. This has decreased to £3.75 million in 2023/24.

The Gross Budget Requirement in 2023/24 is £68.5 million; this includes a savings target of £1.9 million to be delivered. There is an identified funding gap of £0.3 million, to be drawn down from general reserves.

Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27.

There are currently no plans built into the MTFS to replenish general fund reserves.

From review of the Authority’s finance monitoring data reported in September 2023 the forecast is a year-end overspend of £0.176 million.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

See next page

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

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Management comments

The Authority set its 2023/24 budget during a period of extreme financial uncertainty: at the time facing potential industrial action and an unsettled pay award dating back to the previous July.

Having one of highest levels of usable earmarked reserves and general reserves across all fire authorities that Authority was in a strong financial position and the budget was set with the high expectation that the general reserve would be able to absorb the financial impact of the pay award which it ultimately was able to. Other funding options were available such as reducing the capital programme commitments that would not have reduced reserves, but this strategy ensured there was no impact on services or the capital ambitions of the Authority.

It is accepted that in setting the 2023/24 budget a longer-term budget gap was forecast which would result in further reductions in the general reserve without additional funding or cost reductions. The Authority now has greater certainty on its capital programme costs and at the time of writing expects the Authority to set its 2024/25 budget that plans to address the long-term general reserve forecast position.

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

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Securing economy, efficiency and effectiveness in the Service's use of resources

All Fire and Rescue Services 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 Service's responsibilities are set out in Appendix A.

Fire and Rescue Services 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 Service 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 Service 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 Service makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Service makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

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



Our commentary on the Service's arrangements in each of these three areas, is set out on pages 8 to 25. 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.

Financial Performance 2022/23

The Authority is operating in an extremely challenging financial environment. The financial impacts of the pandemic, and the increasing costs of inflation are still ongoing and may take many years to unwind.

The Authority approved its revenue budget for 2022/23 (incorporating the MTFS 2022/23 to 2026/27) in February 2022. The annual budget for the year was set at £63.017 million. The revenue outturn position showed an overspend for the financial year of £1.673 million; this is an adverse variance of 2.65%.

There were some major variances noted which are all clearly set out within the budget outturn report and include:

- Fleet – due to increased fuel costs
- Property - due to the increase in the cost of energy and inflationary pressures on maintenance costs
- Staff – arising from the national pay award.

Reserves

Earmarked Reserves are all funds that have been identified for a specific purpose. The overall reserves level at the end of financial year 2022/23 has reduced from £9.7 million to £9.3 million.

The Authority also holds £22 million of Capital Reserves and Receipts: This includes £20.3 million Capital Funding Reserve, £27,000 Capital Grants Unapplied and £1.7 million Usable Capital Receipts. The Capital reserves and receipts are fully utilised within the MTFS, reducing to zero in 2027.

Over half of the earmarked reserve relates to the Authority's two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The General Fund Reserve is a non-specific reserve to meet short / medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

The Authority needs to hold an adequate level of general reserves. As a precepting Authority any surpluses or deficits are transferred into or out of reserves to meet future potential commitments. The Authority set its minimum level of reserves at £4 million in 2022/23. It is noted that this has decreased to £3.75 million in 2023/24.

The Authority's general fund balance at the start of the year was £6.04 million; the 2022/23 year-end overspend of £1.673 million has been transferred to the reserve reducing the balance to £4.37 million at 31st March 2023. It is not unusual to use general reserves as a short term means of smoothing out large fluctuations in spending requirements and/or funding available; however it does not provide for a longer term solution to ensure financial sustainability.



Financial sustainability (continued)

Short and medium term financial planning

We have identified a significant weakness in the Authority’s arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. We have raised a key recommendation to develop a plan to address the general reserves position and to take steps to deliver sustainable savings with longer term solutions.

Key recommendation 1.

Financial Resilience

The MTFS is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. This demonstrates that financial risks are considered each year in both the short and long term. With only a one year settlement in place, the Authority’s scenario planning processes ensure the key variables around future funding levels, pay awards and pension costs are built into its medium term planning.

The Revenue Budget for 2023/24 (incorporating the MTFS 2023/24 to 2027/28) was approved by the Combined Fire Authority in February 2023. It sets out the financial challenges faced by the Authority and includes key assumptions around income, expenditure and growth.

The Gross Budget Requirement in 2023/24 is £68.493 million; this includes a savings target of £1.9 million to be delivered. There is an identified funding gap of £0.3 million to enable the Authority to deliver a balanced budget in 2023/24. The Authority has made provision for this to be drawn down from general reserves if further in year savings cannot be identified. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27.

From review of the Authority’s finance monitoring data we note that the current 2023/24 year-end forecast is an overspend of £0.176 million.

The Authority has a good track record of delivering savings; over-achieving on its targets in both 2021/22 and 2022/23 as demonstrated in the table opposite. However; without a longer term solution, to deliver greater efficiencies the Authority is facing increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves.

We did note that the Authority is currently holding large earmarked and capital reserves. Capital reserves have been built up over the years by revenue contributions and £1.7 million are Usable Capital Receipts.

While planned use of reserves to balance funding gaps or in year over-spending is not sustainable in the longer term, there is recognition by the Authority that one off use for example to offset the significant pay rise in 2022/23 could have been utilised.

We note that the Authority is identifying and developing savings schemes through its Emergency Cover Reviews (ECR) however these are longer term plans and will take time to realise. The Authority will need to ensure there is a sound financial governance framework in place and robust savings plans to meet the identified budget funding gaps to ensure reserves balances are maintained at a level to mitigate future risk.

Performance against key financial and metrics is set out in the table below:

£,000	2022/23	2021/22
Planned revenue expenditure	£63,017	£58,175
Actual revenue expenditure	£64,882	£57,844
Under / (overspend)	(£1.865)	£331
Planned savings target	£0.9	£0.179
Actual savings delivered	£1.2	£0.749
(Under) / overachieved	£0.3	£0.57

Financial sustainability (continued)

Financial planning and strategic priorities

The Fire Authority has clear corporate priorities which are supported by financial planning.

Corporate objectives are set out within the Authority's Community Risk Management Plan (CRMP), which is updated every five years. This is supported by the Strategic Assessment of Risk, which looks at fire risk across the county. These are underpinned by six core strategies, which collectively, help inform the Annual Service Plan, and local delivery plans:

- People
- Prevention
- Protection
- Response
- Financial
- Digital

Each core Strategy is supported by the priorities and requirements as set out in the enabling plans which sit beneath for example the MTFS, Fleet Asset Management Plan and Capital Budget and Strategy.

Financial Planning

The implications of the annual funding settlement in each year are adequately addressed within the revenue budgets.

The Authority utilised the change to the Council Tax referendum principles for 2022/23 which allowed those Authority's in the bottom quartile to increase Council Tax by up to £5, whilst all others have a 2% referendum limit set. This increased the baseline of Band D properties to £77.27 and generated an additional income of £1.6 million of Council Tax to the Authority, but is still below the national average of £80.06 for Band D properties nationally.

The Council Tax referendum principles were available again in 2023/24 and enabled the Authority to increase its baseline for Band D properties to £82.27 generating £2.3 million of Council Tax funding compared with £1.1 million from a 3% referendum limit increase.



Financial Sustainability (continued)

Capital Programme

Given the scale and the size of the Capital Programme from 2024/25 onwards, the Authority faces a significant challenge in ensuring there is successful delivery. Improvement recommendation 1.

The Capital Programme is prepared annually through the budget setting process and approved by the Combined Fire Authority each February.

The Capital Budget and Strategy 2022/23 to 2026/27 identified a £47 million programme over the period of the MTFs. The 2022/23 Capital Programme includes slippage from 2021/22 of £6.2 million. Delivery in year was revised to £3.271 million.

The Authority have in place an embedded governance process for monitoring and reporting against progress of delivery, which includes:

- A quarterly Capital Projects Programme Board has oversight of the programme and is responsible for delivery with project managers providing update reports on the in year and future programme.
- This is reported to a corporate programme board with all Executive Board alongside other Boards.
- Monthly budget monitoring of the Capital Programme and quarterly reporting to Members through the Resources Committee.
- A project management structure for key projects.

Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. From discussion with key officers, the slippage was largely due to supply issues following Brexit, Covid and ICT equipment shortages, which could not have been foreseen at the time of the programme development.

The slippage has been rolled forward into 2023/24 increasing planned in year delivery to £11.752 million. Although we acknowledge some of the issues faced in the current climate it remains that there is a risk of non-delivery, increased costs and further slippage into future years.

The Capital Programme covering the MTFs 2023/24 to 2027/28 is £55.2 million.

The majority of the programme in 2023/24 is replacing Authority fleet vehicles; this includes those to meet the expectations around climate change and the priorities agreed as part of the Annual Delivery Plan.

There are a number of large scale building projects planned from 2024/25 onwards; these include the relocation of the Authority Headquarters, rebuilding of the Preston station and upscaling the Training Centre.

Anticipated capital funding of £41.5 million is available over the life of the programme, leaving a shortfall of £13.6 million. The Authority has already set aside £2 million of funding for the programme, leaving £11.6 million of borrowing in its final two years. The Authority does not currently have any plans for new borrowing until 2024/25, but holds £2.0 million of loans from funding previous years' Capital Programmes.

The cost of this borrowing is incorporated into the revenue budget in future years, and as such, the Treasurer has considered that the programme is prudent, sustainable and affordable in the medium term.

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 as part of the budget setting process. This includes the Treasury Management Statement, Annual Investment Strategy, Prudential Indicators and Minimum Reserves Provision (MRP) policy.

The Authority currently utilises Lancashire County Council to undertake its Treasury Management Activities.

Oversight of Treasury Management activities is provided via reporting through the Resources Committee; which we confirmed through review of Committee papers during the 2022/23 year.

The Year End Treasury Management Outturn 2022/23 was reported to Resources Committee in July 2023. The report sets out the Authority's borrowing and lending activities during 2022/23 and confirms that all treasury activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2022/23.

The borrowing of the Fire Authority has remained unchanged at £2m. Total interest paid was £90,000. Consideration has been given to repaying the £2m but repaying the loans early would incur a penalty cost and at the end of the financial year it was estimated that the penalty would be £0.220 million.

The report also documents that during the year the total cash held by the Authority has been positive with the highest balance being £46.8 million and the lowest £26.7 million. For the monies invested with Lancashire County Council the range was £41.8 million to £16.6 million.

At the year-end fixed investments of £15 million were in place with £16.3 million cash and cash equivalents.



Financial Governance

Annual budget setting and budgetary control

The Authority has appropriate processes in place to ensure that budget holders have a key role in setting and monitoring budgets. Finance monitoring reports provide sufficient information to provide an accurate and detailed overview of the financial position without such information being overly complex or simplistic

The budget is developed through stages with the refinement of assumptions and funding stream estimates, examining the budget gap and developing savings proposals. There is also evidence of scenario analysis and planning.

We did note a reliance on balancing the budget through the use of reserves, which we have reported upon on page 13 of this report.

Internal and External stakeholders are involved and consulted within the process and budget managers are required to sign up to and take accountability for delivering their budget.

Accurate and timely financial monitoring reports are provided for budget holders and the finance team provides regular support and guidance. Operational budget managers receive monthly monitoring reports and monthly meetings are held with the finance team to discuss issues, risks and adverse variances.

The Resource Committee receive detailed quarterly Financial Monitoring reports for discussion and challenge. In addition, the Performance Committee receive quarterly activity reports which are separate to the financial monitoring reports.

From our review of financial reporting we could evidence that a clear forecast for the year end out-turn is provided supported by a summary providing a detailed overview of the drivers for any cost pressures and explanations for large variances to budget and out-turn (for revenue and capital) and actions which are being taken to offset or mitigate these.

Quarterly activity reports are separate to the financial monitoring reports. From discussion with key officers we note that reporting is an area the Authority are currently looking into, with a view to utilising the capabilities of Power BI to integrate both financial and non financial reporting.



Improvement recommendations

Improvement recommendation 1	The Authority needs to ensure it continues to try to mitigate the risk of Capital Programme affordability due to increasing costs and additional pressures of programme slippage.		
Improvement opportunity identified	Slippage within the Capital Programme may result in an unrealistic or unaffordable delivery programme in later years.		
Summary findings	Planned delivery of the programme was revised in year to £3.271 million. Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. We acknowledge the Authority is looking to manage this through regular project meetings and a capital programme board, all which feed in to the Senior Management Team Corporate Programme Board quarterly meetings for high level oversight. And that slippage is due to a number of pressures impacting on the supply chain. However, if slippage continues to any significant extent it does pose the risk outlined above.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	Noted, to manage this risk there are strong governance arrangements in place. As the auditor sets out there are regular project meetings, oversight by the capital projects programme board that feeds into the SMT Corporate Programme Board. Also quarterly reporting to the Resources Committee on progress with the capital programme and emerging issues and the Member Capital Projects Working Group provide further governance to ensure this risk is managed.		

Page 152

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.

Governance and Informed Decision Making

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions but have raised two improvement recommendations to strengthen the processes in place.

Lancashire Fire and Rescue Service is governed and led by the Lancashire Combined Fire Authority (CFA); which is an independent body comprising of 25 elected Members apportioned between three Constituent Councils:

- 19 Lancashire County Council Councillors,
- three Blackpool Council Councillors and
- three Blackburn with Darwen Council Councillors.

The CFA decision making processes are supported through delegated responsibility to the Appeals, Audit, Performance, Planning and Resources Committees.

The Authority has in place Constitutional, Procedural and Contractual Standing Orders which outline the make-up of the Authority including the Committee Structure and rules governing the conduct of its meetings. From review we confirmed this is published on the Authority's public facing website but noted that supporting and underpinning key guidance such as the Scheme of Delegation, Members' Code of Conduct and Contract Standing Orders etc are maintained as separate documents and are not currently included within the Constitution as a complete document. A number of the documents held on the website also appeared to be out of date; for example, we were notified that the Scheme of Delegation had been reviewed in 2021 but the version available on the website is dated 2018.

We have recommended that the Constitutional, Procedural and Contractual Standing Orders are brought together as a complete document to provide a clear and coherent framework governing how the Authority operates and makes decisions.

In addition Committee Terms of Reference (TOR) are held as appendices to the Constitution but are not published on the website. From our review of TOR we noted that while all state the requirement that "political balance rules and regulations apply", the conditions of quoracy to ensure having enough members to carry out business and cast votes is not stated.

Improvement recommendation 2.

All committee papers are supported by standard reporting templates which provide an overview of the action or decision to be made and provide assurance of the considerations that have been taken in its reporting for example business risk, financial, equality and diversity, environmental and HR implications etc. however, the template does not include legal implications. To provide assurance that appropriate legal advice has been considered where appropriate and that decision making is lawful we have recommended this be added to the standard reporting template as a consideration criteria point to aid decision making.

Improvement recommendation 3.

Governance (continued)

Risk Management and Corporate Planning

The Fire Authority has appropriate arrangements in place to identify and manage risks. Our work has not identified any significant weaknesses; but improvement recommendations have been made to further enhance and strengthen the processes in place.

The National Framework issued by central government details the requirement for Fire Authorities to draft, consult upon and publish its strategic intent in the format of an Integrated Risk Management Plan (IRMP) which must span at least 3 years. In February 2022, the Authority approved its Community Risk Management Plan (CRMP) 2022-2027; which was published in April 2022.

We confirmed by review, that the CRMP is aligned to new National Fire Chiefs Council (NFCC) best practice guidance and outlines the approach to the identification and mitigation of risk within the County. The plan is underpinned by six core strategies:

- Prevention Strategy
- Protection Strategy
- Response Strategy
- People Strategy
- Finance Strategy
- Data and Digital Strategy

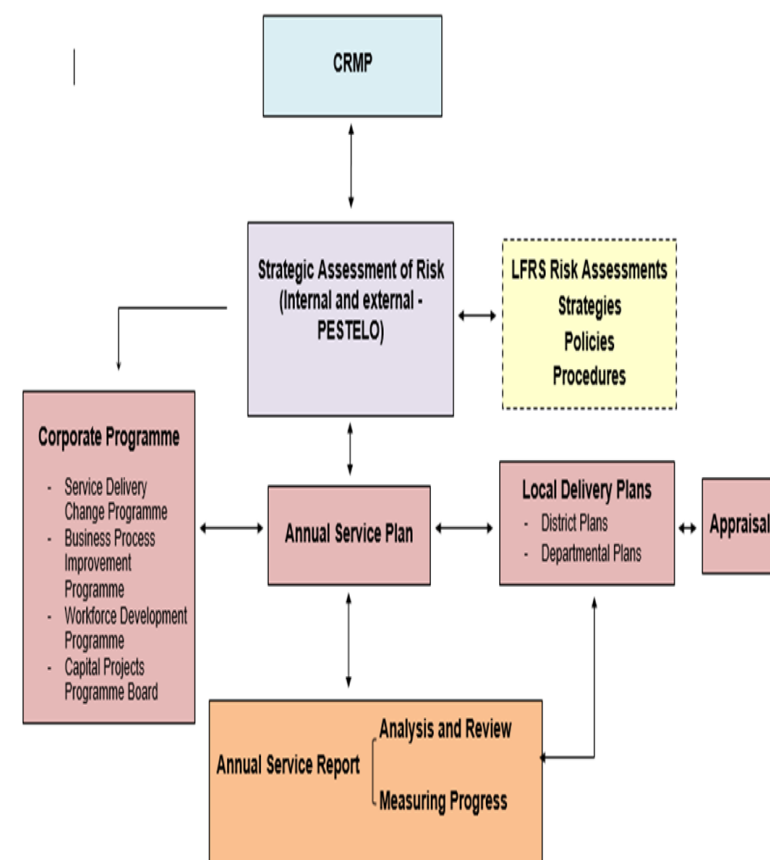
The plan is driven and underpinned by an annual Strategic Assessment of Risk (SAoR). The assessment of risk is carried out on an annual basis by analysing external and internal operating environments as part of the corporate planning process. The SAoR highlights the risks faced and describes how the Authority intends to deal with them.

The data within this SAoR is used in the Corporate Planning process and identified risks link to core strategies, the CRMP, Corporate Programme, Annual Service Plan and local delivery plans as demonstrated opposite.

In 2022/23 the top five risk incident types have been identified as follows:

Risk Number	Incident Type	Overall Rating	Rank	Trend	Rank 2021
1	Commercial property fires *1	14.10	Very High	↑	4
2	Accidental dwelling fires	13.49	Very High	↑	3
3	Flooding	12.00	Very High	↓	1
4	Wildfire	11.60	Very High	↓	2
5	Rescue from collapsed structure/confined space/other	11.46	Very High	↑	8

Corporate Planning Process



Governance (continued)

Risk Management and Internal Control

High level responsibilities for managing risk are documented within the Authority's Risk Management Policy. The policy is underpinned by a Risk Management Procedure document which provides detailed guidance around the operational arrangements and processes in place for managing, monitoring and reporting risk.

Our review of the procedures did not identify any gaps in arrangements; we found that it includes the key elements for a robust framework to managing risk at all levels across the Authority.

Scoring methodology uses a 5x5 matrix to prioritise risks. Risk impact criteria is clearly documented and includes domains such as financial, service provision and reputation etc. We note that environmental impact is not currently included as an impact measurement criteria. Although, it is included as a standard agenda consideration as part of Committee papers reporting. Given the importance of the environmental agenda and the national agenda to reach Carbon Net Zero, we have recommended that the Authority considers including Environmental Impact within the risk impact measurement criteria when scoring risks.

Improvement recommendation 4.

Risks are recorded within the Authority's Corporate Risk Register and update reports are presented at each meeting of the Audit Committee to provide members with oversight of management, mitigation and any new risks or changes to current risks.

From our review of reporting during 2022/23 we noted some areas where improvements could be made. We have concluded that the design and presentation of the Corporate Risk Register could provide more clarity for example, around risk scoring.

The Register shows the "Residual Score" following implementation of all controls, but doesn't show the inherent or target score. It was therefore not clear how a judgement could be made that risks are being controlled and mitigated or if the proposed actions appeared proportionate to the level of risk.

The register includes recommended actions but does not record gaps in assurances and control, it is therefore not possible to identify how the actions being taken are mitigating the risk. We also noted that the actions recorded do not follow SMART methodology, which means it is not clear how these would be monitored.

From discussion with key Authority Officers we noted that a number of changes and improvements are currently in progress. This includes a complete re-refresh of the Risk Registers, incorporating departmental risk registers with processes in place for escalating and de-escalating to and from the Corporate Risk Register where appropriate.

From review of the updated draft Register it is evident that while it is still in the process of being completed; it includes the elements required to provide the Authority a robust overview of its management of risk. We therefore have not made any improvement recommendations in this area but the Authority needs to ensure that the new Register is adopted in its reporting of risk as soon as possible.

The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives is described as its appetite for risk. The risk appetite scale usually ranges from "Open" which supports justifiable risks to be taken to "Averse" where there is an extremely low tolerance to risk.

For all Corporate, Department, Programme and Project risks the Authority has set its risk appetite at "Tolerable"; which suggests a "Cautious" approach and any risk which is above this threshold (i.e. Moderate, Substantial or Intolerable) would need further consideration and a decision taken as to how the risk should be treated. From review of the Procedure document, it is not clear how the appetite domains are aligned to the scoring methodology i.e. it does not currently link to the score in which a risk is deemed tolerable or when a risk is scored as Moderate, Substantial or Intolerable etc.

We have recommended that the Authority reviews the methodology and terminology used throughout the Procedure to ensure there is alignment in its scoring criteria and there is clarity in terms of its risk appetite domains.

Improvement recommendation 4.



Governance (continued)

Internal Audit and Counter Fraud

The Authority has adequate arrangements in place to provide Internal Audit and Local Counter Fraud Services. Regular reporting is provided to the Audit Committee with evidence of appropriate oversight and challenge.

The Authority's Internal Audit and Counter Fraud Service is provided by Lancashire County Council.

The Internal Audit Plan for 2022/23 was approved by Audit Committee in March 2022 and confirms its compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit Committee meeting, setting out the work completed to date and any significant findings.

From our review of the reports presented during 2022/23 we noted completion in accordance with the plan and no significant issues raised.

This is confirmed within the year end Head of Internal Audit Opinion which has provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

The Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of Internal Audit in February 2023. The assessment included a full validation of the Internal Audit Service's own self-assessment against the PSIAS and the International Professional Practices Framework (IPPF). This has resulted in an overall opinion that the Internal Audit team "generally conforms" to the IIA Standards. This is the highest of the three global grading definitions used in an EQA.

The National Fraud Initiative (NFI) is a statutory data matching process for health, local government and other public sector providers managed by the Cabinet Office. It flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.

Following the submission of data in October 2020, the resulting matches were released by the Cabinet Office in January 2021. From the exercise carried out, no incidences of fraud were identified from the matches processed.

The Head of Internal Audit Opinion and Annual Report documents that there were no specific incidences of fraud or irregularity that have been brought to their attention during 2022/23.

Standards of Behaviour

The Authority has a number of policies and procedures in place to manage and mitigate the risk of fraud, and to outline the standards of behaviours expected from both its members and staff. These include, but are not limited to:

- Anti-Fraud Policy,
- Whistleblowing Policy,
- Codes of Conduct,
- Members and Officers Protocol,
- Declaring Interests, Gifts and Hospitality.

However, from review of the information on the Authority's website, we could not evidence that some of these have been reviewed or updated recently i.e. Anti-Fraud and Whistleblowing Policies. We have recommended that the Authority reviews these policies on a bi-ennial basis to ensure they remain current and reflect the current environment and landscape.

Improvement recommendation 5.

During the course of our fieldwork we noted an instance of a member of staff using a personal email address for Authority business. While we acknowledge that this has been raised with the officer with a view to ensuring the Authority email account will be used going forward, we have included an improvement recommendation to remind all staff of the risks surrounding data security and the requirements to ensure personal email addresses or devices are not be used to conduct Authority Business.

Improvement recommendation 6.



Whistleblowing

With whistleblowing regulation on the rise, it is more important than ever that, not only does an organisation have a Whistleblowing Policy in place, but also understands how the effectiveness of the policy is being assured and how the organisation are sighted on issues raised. Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups.
- Staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service.
- The organisation are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

The National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable.

Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

Improvement recommendations

Improvement recommendation 2

The Authority should update the Constitutional, Procedural and Contractual Standing Orders bringing together a complete document, supported by up to date and current underpinning guidance and policies, including (but not limited to):

- Committee Terms of Reference (TOR) which should also include the conditions of quoracy to ensure having enough members to carry out business and cast votes is not stated.
- Scheme of Delegation.
- Members' Code of Conduct and
- Contract Standing Orders .

Improvement opportunity identified

To provide a clear and coherent framework governing how the Authority operates and makes decisions.

Summary findings

The Authority has in place Constitutional, Procedural and Contractual Standing Orders. Our findings and recommendation have been made to provide further clarity.

Criteria impacted by the finding

 Financial Sustainability

 Governance

 Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Noted, the Authority is always seeking to make its information as usable and accessible as possible and this would support other accessibility improvements we are making to our website.

Improvement recommendations

Improvement recommendation 3	The Authority should include legal implications as a category for consideration as part of its Committee paper standard reporting		
Improvement opportunity identified	To provide assurance that appropriate legal advice and implications has been considered where appropriate and that decision making is lawful we have recommended this be added to the standard reporting template as a consideration criteria point to aid decision making.		
Summary findings	Reporting templates currently include consideration of business risk, financial, equality and diversity, environmental and HR implications but do not include legal implications.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	Noted, the legal implications of member decisions are always considered and highlighted in reports as part of the main body of the report or other relevant categories where appropriate. To improve reporting however the legal implications will be identified as a separate category alongside Business Risk, Environmental, Equality and Diversity, HR and Financial implications.		

Improvement recommendations

Improvement recommendation 4

- To further enhance and strengthen the risk management arrangements in place, the Authority should ensure that:
- When risks are scored, there is a consideration of whether there may be an environmental impact should the risk materialise. Environmental impact should therefore be included as a domain within the scoring methodology.
 - Procedure methodology and terminology used throughout the Procedure aligns with its scoring criteria and there is clarity in terms of its risk appetite domains.

Improvement opportunity identified

To further enhance and strengthen processes

Summary findings

The Authority is developing good arrangements in place for managing risk. Our findings and recommendation have been made to further enhance and strengthen the processes.

Criteria impacted by the finding



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

In principle we support the inclusion of environmental impact, to ensure there is no duplication across the organisation we will explore how best to address this issue during the next reporting period.

Improvement recommendations

Improvement recommendation 5	The Authority should ensure that its key governance policies are reviewed and updated on at least a bi-ennail basis.		
Improvement opportunity identified	To ensure that the Authority is reflecting the latest local and national requirements in its day to day business.		
Summary findings	We could not evidence from the Authority’s website that some of its key policies had been reviewed or updated recently for example Anti-Fraud and Whistleblowing Policies.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	We will ensure key governance policies are reviewed and updated on a regular basis.		

Page 160

Improvement recommendations

Improvement recommendation 6	The Authority should ensure that all staff are reminded of the requirements to not use personal email addresses or devices to conduct Authority Business.		
Improvement opportunity identified	To ensure that the Authority is adequately managing the risk of data security.		
Summary findings	We could not evidence from the Authority’s website that some of its key policies had been reviewed or updated recently for example Anti-Fraud and Whistleblowing Policies.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	During the course of our fieldwork we noted an instance of a member of staff using a personal email address for Authority business.		
Management comments	Noted.		

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.

Use of financial and performance information

The Authority has embedded processes in place to monitor and report upon its corporate performance; documenting where corrective action is being taken and supported by clear reporting of trends and causes.

The Authority monitors performance through quarterly performance reports which are scrutinised by the Performance Committee and presented to the Combined Fire Authority meetings for discussion. Performance reports provide progress against the Key Performance Indicators (KPI's) which are aligned to each of the priorities detailed in the Community Risk Management Plan and Annual Service Plan:

- Valuing our people so they can focus on making Lancashire safer.
- Preventing fires and other emergencies from happening.
- Protecting people and properties when fires happen.
- Responding to fires and other emergencies quickly and competently.
- Delivering value for money in how we use our resources.

An annual overview of performance against these priorities is provided within the Authority's Annual Service Report.

From our review of reporting during 2022/23 we noted that the reports provide a good level of detail to enable an appropriate level of challenge, discussion and assurance to be gained. KPI's are presented showing the direction of travel and are RAG rated to demonstrate those which are showing a positive or negative exception.

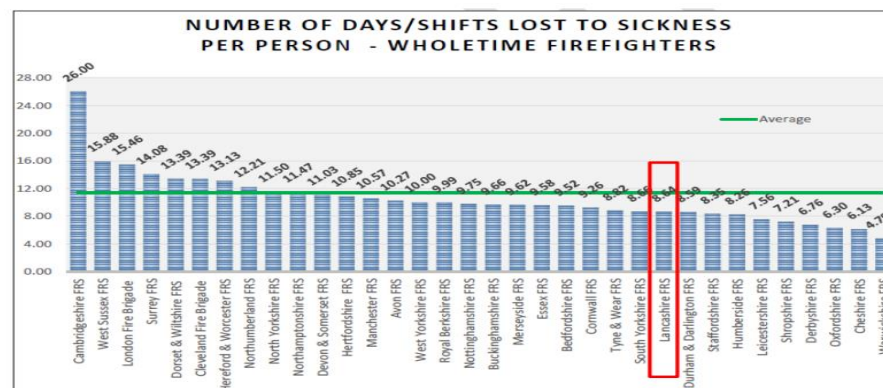
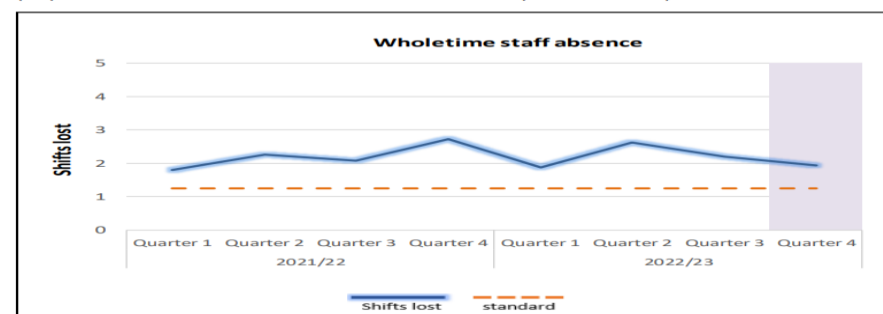
There were three indicators which were reporting a negative exception throughout the reporting period examined:

- Staff Absence Wholetime
- Staff Absence Greenbook
- Fire Engine Availability On-Call Shift Systems

Our review of Performance Committee reporting evidenced clear and robust documentation of the cause and reasons for the negative exceptions, including action being taken and any further planned action.

Reporting also evidences where national benchmarking is carried out. For example, the tables below demonstrate that, while the actual number of shifts lost due to sickness is currently above the annual standard, nationally the Authority benchmarks below average (source Q4 Performance Report):

Annual Standard: Not more than 5 shifts lost.
(Represented on the chart as annual shifts lost ÷ 4 quarters = 1.25)



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Fire Authority has arrangements in place for working with its partners.

The Police Force, Fire & Rescue Service and Emergency Ambulance Service are under a formal duty to collaborate under the Policing and Crime Act 2017. The objectives are to improve efficiency, effectiveness and deliver improved outcomes.

To meet the requirements of this duty, the respective blue light services, Lancashire Fire and Rescue (LFRS), Lancashire Constabulary (LanCon), and North West Ambulance Service (NWAS), meet regularly at both tactical and strategic levels. Through these meetings the collaboration board have agreed and signed a strategic statement of intent. This contains the following aims:

- Improved Outcomes – The collaboration maintains or improves the service we provide to local people and local communities.
- Reduced demand – The collaboration should contribute towards our longer-term strategic objective of decreasing risk in communities and reducing demand on services.
- Better Value for Money – The collaboration produces quantifiable efficiencies either on implementation or in the longer term.
- Reduced inequalities within our communities – The collaboration contributes towards reducing inequalities wherever possible.

A written update on partnership collaboration is provided on a quarterly basis as part of the performance report; which we confirmed by review of the reports presented to Performance Committee during 2022/23.

Commissioning and procurement

The Fire Authority has appropriate arrangements in place for procuring goods and services and monitoring its contracts.

The Authority has in place a Procurement Strategy which is designed to identify procurement priorities aligned with local, regional and national procurement policy.

The current Strategy covers the period 2018-2021 and was approved in May 2018. The Authority would normally produce a new Procurement Strategy for 2022-2025, however the Government published a green paper 'Transforming Public Sector Procurement' in the last financial year which the Authority are awaiting the outcome to inform the updated Strategy.

The existing Strategy was approved for roll forward to 2022/23.

From discussion with key Authority officers it was noted that there are plans in place to ensure the Strategy is refreshed in line with the national guidance but also in alignment with the requirements of other Authority enabling strategies for example the MTFS, Asset Management Plan and Capital Programme etc. We have included an improvement recommendation to ensure this is clearly articulated within the updated Strategy.

Improvement recommendation 7.

The Authority has Contract Standing Orders in place governing the processes and procedures for purchasing goods and services. These were revised and updated in 2021, however a search of the Authority's website provided a version dated 2019.

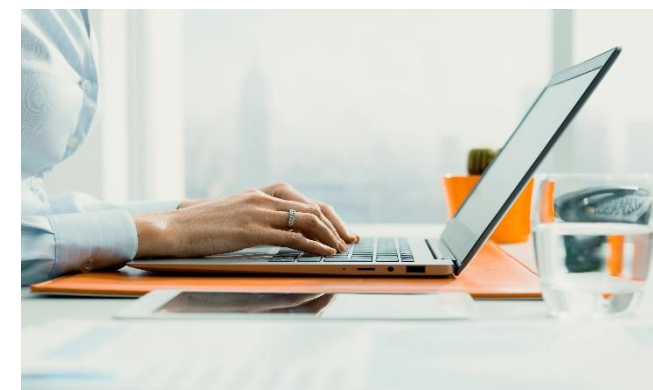
Improvement recommendation 2 includes this finding.

The Authority's processes require that there must be procurement team involvement for all procurement in excess of £25, 000 and all high value procurement activity - in excess of £100, 000 is approved by the CFA which we confirmed by review of reporting documentation.

Following procurement, contract management responsibility is held by the originating department. A spreadsheet is maintained of all contracts which ensures there is timely re-tendering processes in place and the use of contract tender waivers is managed. Details of Authority contracts are also published in line with transparency requirements on the Authority's website.

The Authority is a member of the North West Procurement Officers group which looks at technical requirements and seeks opportunities for regional collaborations to gain local economies and efficiencies .

Where regional contracts are in place, local quarterly meetings are held to monitor performance by the lead procurement authority with access for any local level issues to be escalated where required.



Improving economy, efficiency and effectiveness



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Carbon Management

The Authority has in place a Carbon Management Plan which demonstrates its commitment to embedding reductions in environmental impact into its core business. The initial work undertaken by the Carbon Management Team has provided the carbon footprint of the Service and initial baseline emissions data.

However, the plan was produced and approved in 2009 and although it states that a target has been set at 40% carbon emission reduction by 2030, it does not provide an overview or fully costed action plan to demonstrate how this will be achieved. From review of the Authority's MTFS 2022/23 to 2026/27 we also did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.

We do acknowledge that the Authority is currently drafting its new Environmental Sustainability Plan which will set out the Authority's environmental aspirations to move forward to a net zero carbon emissions position. We have included an improvement recommendation to ensure the Authority's Environmental Sustainability Plan is supported by a fully costed action plan which aligns to its financial requirements within the MTFS.

Improvement recommendation 8.

Operational Response Plan

The increasing impacts and consequences of climate change in terms of both prevalence and duration of large-scale flooding and wildfire events in the county is identified in the Authority's Strategic Assessment of Risk.

The CRMP includes high-level ambitions in response to these emerging risks and a Climate Change Operational Response Plan (CCORP) 2022-27 has been published. This aims to provide a more detailed overview of how the Authority intends to strengthen the provision of its services.

In delivering against the plan, the Authority aims to:

- Reduce the threat to the communities in Lancashire.
- Improve firefighter safety.
- Reduce the costs and impact upon LFRS, partners and communities.

Fleet Asset Management Plan (FAMP) 2023-2027.

The FAMP sets out how the Service is managing its fleet to reduce its own carbon footprint and respond to the environmental changes that affect operational demands.

The plan recognises that vehicle related emissions are a significant contributor to carbon emissions within the Service, and as part of ongoing commitments, reducing emissions from vehicles and improving the environmental performance of fleet vehicles remains a key aspect of revised aspirations. This includes implementing electric vehicles, switching from diesel-powered light vehicles to hybrid technology to eliminate nitrogen oxide (NOX) emissions.

The Service has invested in specialist all-terrain vehicles, fully equipped to address wildfire and flooding in the county. These vehicles have been developed to meet the climate change conditions experienced locally, reported to be the first in the UK to do so.



Improvement recommendations

Improvement recommendation 7	The Authority should ensure that the refresh of the Procurement Strategy aligns the requirements of other Authority enabling strategies for example the MTFS, Asset Management Plan and Capital Programme in additional to national guidance.		
Improvement opportunity identified	To ensure that the Procurement Strategy provides a framework which aligns to and supports the requirements of the Authority’s Corporate Plan enabling strategies.		
Summary findings	From review of the Authority’s MTFS 2022/23 to 2026/27 we did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	The current Procurement Strategy covers the period 2018-2021. The Authority are awaiting the outcome to inform the updated Strategy. The existing Strategy was approved for roll forward to 2022/23.		
Management comments	Noted		

Improvement recommendations

Improvement recommendation 8	The Authority should ensure that the Environmental Sustainability Plan is supported by a fully costed action plan which aligns to its financial requirements within the MTFS.		
Improvement opportunity identified	To ensure that the Authority has realised and planned its financial commitment to reaching its carbon reduction targets.		
Summary findings	From review of the Authority's MTFS 2022/23 to 2026/27 we did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.		
Criteria impacted by the finding	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	Noted		

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	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.	Improvement	November 2021 & 2022	The Authority has a good track record of delivering savings; over achieving on its targets in both 2021/22 and 2022/23. However; without a longer term solution, the Authority is facing increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves which are currently reducing year on year.	Partly	Yes we have re-raised a recommendation to ensure the Authority maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled. See key recommendation 1
	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.	Improvement	November 2022	Delivery in year was revised to £3.271 million. Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. From discussion with key officers, the slippage was largely due to supply issues following Brexit, Covid and ICT equipment shortages. The slippage has been rolled forward into 2023/24 increasing planned in year delivery to £11.752 million. The Capital Programme covering the MTFS 2023/24 to 2027/28 is £55.2 million.	No	Yes we have re-raised a recommendation to ensure the Authority maintains a robust financial governance framework in place to manage, monitor and ensure delivery of the Capital Programme. See improvement recommendation 1

Follow-up of previous recommendations

Page 168

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	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	A number of changes and improvements to the risk management arrangements are currently in progress. This includes a complete re-fresh of the Risk Registers, incorporating departmental risk registers with processes in place for escalating and de-escalating to and from the Corporate Risk Register where appropriate. From review of the updated draft Register it is evident that while it is still in the process of being completed; it includes the elements required to provide the Authority a robust overview of its management of risk.	In progress	No further recommendations made, the new arrangements and registers will be reviewed as part of the 2023/24 review.
4	The Authority should remove discharged risks from the Corporate Risk Register to help members focus on remaining risks.	Improvement	November 2021	See above	In progress	No further recommendations made, the new arrangements and registers will be reviewed as part of the 2023/24 review.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Service's financial statements:

- give a true and fair view of the financial position of the Service as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Service in accordance with applicable ethical requirements, including the Financial Reporting Service's Ethical Standard.

Audit opinion on the financial statements

This work remains underway at the time of writing. We intend to issue an unqualified opinion on the Service's financial statements once the work is complete.

The full opinion will be included in the Service's Annual Report for 2022/23, which can be obtained from the Service's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was issued in June 2023 and presented to the Audit Committee

We completed our planning and interim work from March to June and our final visit between July and December

The Service provided draft financial statements on 31 July 2023, later than the national timetable of 31 May 2023.

- The work remains underway at the time of writing. We intend to issue an unqualified opinion on the Service's financial statements once the work is complete.

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report presented to the Service's Audit Committee on 28 November 2023. Requests for this Audit Findings Report should be directed to the Service.



Appendices

Appendix A – Responsibilities of the Service

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) 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 Service'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 Service will no longer be provided.

The Service 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’.	Yes	6
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	Financial Sustainability: page 13 Governance: pages 18 – 22 3Es: pages 26 - 27



Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 March 2024

Internal Audit Monitoring Report

(Appendix 1 refers)

Contact for further information – (Steven Brown - 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 2023/24.

Recommendation(s)

The Committee is asked to note 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 is attached as Appendix 1 and will be presented by the Head of Internal Audit.

Business risk

Effective Internal Audit is a key element of our Governance arrangements.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

None.

Legal implications

None.

Local Government (Access to Information) Act 1985

List of background papers

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
01 March 2024**

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2023/24 was approved by the Audit Committee in March 2023. This report details the progress to date in undertaking the agreed coverage.

2 Internal audit work undertaken

- 2.1 Work carried out during the period 1 April 2023 to 1 March 2024 was in accordance with the agreed audit plan. To date, 58.50 days have been spent this financial year on completion of the 2023/24 plan, equating to 73% of the total planned audit activity of 80 days. The table below shows the current status of all audit work.
- 2.2 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.

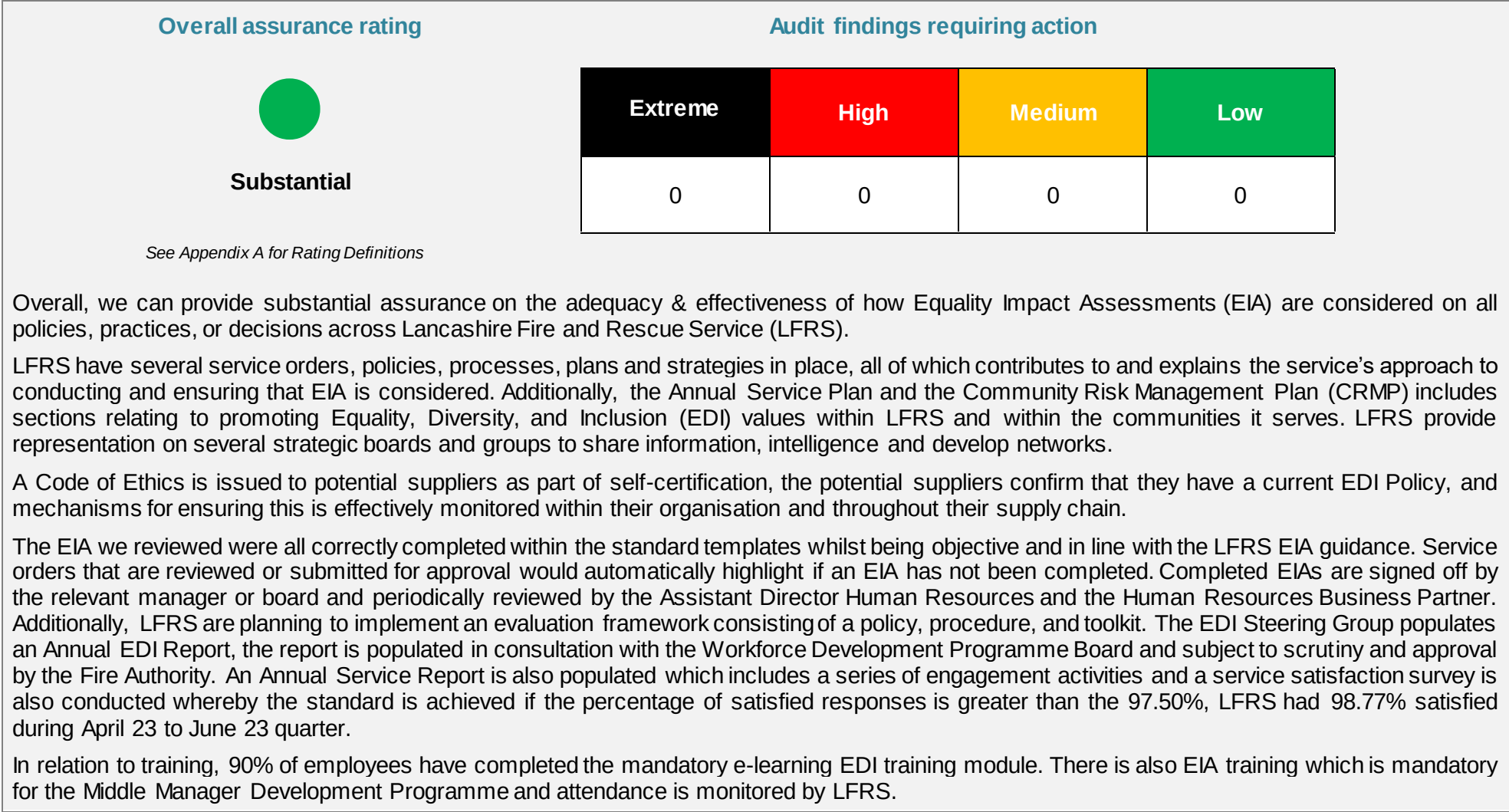
Audit review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
Governance and business effectiveness					
Overall governance, risk management and control arrangements	3	2.5	0.5	Ongoing This is ongoing by the Audit Manager within the year.	
Service delivery and support					
Equality impact assessments	10	9.5	0.5	Final	● Substantial January 2024
Management of change within LFRS	10	9	1	Final	● Substantial November 2023
District planning activity	10	13	-3	Final	● Limited January 2024
Business processes					
Accounts payable	9	2	7	Testing Started	N/A
Accounts receivable	6	1	5	Testing Started	N/A

General ledger	6	1	5	Testing Started	N/A
HR/ Payroll	10	11	-1	Final	● Substantial December 2023
Treasury management	4	1.5	2.5	Testing Started	N/A
Follow up audit activity					
Follow up activity	2	0	2	Not started There is only KFS actions which will be picked up in the main KFS audit.	N/A
Other components of the audit plan					
Management activity	9	8	1	Ongoing: This is ongoing by the Audit Manager within the year.	
National Fraud Initiative	1	0	1		
Total	80	58.5	21.5		

3 Extracts from Audit Reports

3.1 Extracts of assurance summaries are shown below

Equality Impact Assessments



District Planning Activity

Overall assurance rating	Audit findings requiring action			
 Limited See Appendix A for Rating Definitions	Extreme	High	Medium	Low
	0	2	2	0
The district planning activity is in its first year of rolling out and therefore a relatively new process. Our audit consisted of a hybrid approach of consultancy service and reviewing areas which are implemented or in the process of being implemented. Lancashire Fire and Rescue Service (LFRS) do not have any service orders, policies, guidance documents or procedures for the management of district planning. However, they plan to populate a standard operating document and/or guidance document by March 2024. This should assist and guide the service delivery Managers (SDM's) in completing more comprehensive district plans. A Risk Management Plan is in place and links through to the Annual Service Plan but does not give any details on the district plans and how they will be implemented. There is a "Strategic Assessment of Risks" which feeds into the district plans as it seeks to underpin the LFRS Community Risk Management Plan (CRMP), by ensuring that risk management drives decision-making within LFRS. The district plans are populated by using specific district data from the intelligence profiles, these were not created for 2023 due to the intelligence data not being received within the timeframe required to create district plans. For 2024 it is intended that the profiles will be completed by January 2024 which will allow the district plans to be populated with current data and in place by April 2024. The current district plans are complex and disjointed, they are not structured as plans but rather as LFRS ambitions and information. Therefore, it was difficult to identify in all cases where the plan correlated with the identified district risks. The district performance reports are more informative, risks in the plan cannot be easily linked to the performance of the plans. The content of quarterly performance information varied; therefore, we were unable to determine if there was any improvements or changes. There is no overarching performance or evaluation reporting which combines the areas of evaluation or performance into an overarching District Planning report. Although, the overarching "Prevention Strategy", includes a limited performance section on District Planning. A His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) area of Improvement / recommendation, which is linked to District Planning, is included within the LFRS HMI Organisational Improvement Plan 2023/24. This has a completion date of March 2024.				

Human Resources/Payroll

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Overall, we did not identify any significant issues within the LFRS HR & payroll processes. A Service Level Agreement (SLA) is in place between Greater Manchester Fire and Rescue Service (GMFRS) and Lancashire Fire and Rescue Service (LFRS) for the provision of a managed payroll service and a good working relationship is also maintained between the two.

Employees were occupying authorised posts, valid appointments had been correctly checked and established, and the right amount was being paid to individuals at the right time. Leavers were appropriately discharged, and our testing did not identify anyone being paid who no longer worked for the organisation. Additionally, monitoring arrangements are in place to prevent and detect any anomalies or errors that might arise, and only appropriate HR staff have access to the I-Trent HR & Payroll system, and to the payroll and personnel data which were held in electronic folders within the LFRS network.

Changes or amendments to pay are appropriately authorised by an employees' manager and updated into i-Trent and correctly calculated, with revised calculations being checked by a second officer in all our selected sample cases. There were no overpayments made where LFRS has had to raise any invoices through the accounts receivables process and bank account changes were made on-line by the employee themselves except for the new starters.

Audit assurance levels and residual risks

Appendix 1

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 2024

Internal Audit Plan 2024/25

(Appendices 1 & 2 refer)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866804

Executive Summary

Appendix 1 sets out the proposed Internal Audit Plan for 2024/25 and Appendix 2 sets out the Internal Audit Charter.

Recommendation(s)

The Committee is asked to agree the Internal Audit Plan for 2024/25.

Information

The Internal Audit service is provided by Lancashire County Council. They 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 and will be presented by the Internal Audit Manager. The plan utilises a total of 70 days which is consistent with previous years.

Appendix 2 sets out the Internal Audit Charter, this 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.

Business risk

Effective Internal Audit is a key element of our Governance arrangements.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

The proposed audit fee for 2024/25 is £28,280.

Legal implications

None.

Local Government (Access to Information) Act 1985**List of background papers**

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

**Lancashire Combined Fire Authority
Internal Audit Service
Internal Audit Plan: 2024/25**

1 Introduction

- 1.1 The plan amounts to a total resource of 70 audit days. To ensure that the fees charged reflect the resource costs incurred the auditor and manager will be charged at different rates. The daily rate for auditors will be £380 and audit managers £450. The approximate overall cost for 2024/25 will be £28,280. Addendum 1 shows how this has been calculated.
- 1.2 The Audit Plan for 2024/25 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 2024/25 we will continue to categorise our assurance levels, using the following definitions:

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.

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
<i>Governance and business effectiveness</i>		
Overall governance, risk management and control arrangements	In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows: - We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee. - We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of key operational and decision-making boards across Lancashire Fire and Rescue Service (LFRS).	3

Audit review	Outline audit scope	Days
<i>Service delivery and support</i>		
Cyber Security	To determine the adequacy and effectiveness of the overall governance arrangements for Cyber Security including Business Resilience and Business Continuity.	15
Implementation of learning from National Incidents	Determine if the authority adequately responds and effectively embeds change that is a result of national incidents.	15
<i>Business processes</i>		
Accounts payable	The audit will consider whether there are adequate and effective controls in place to ensure: • Compliance with financial regulations and the scheme of delegation. • Processes employed for the ordering, receipting and payment of goods and services are appropriate and efficient. • Inaccurate, illegitimate, or duplicate orders/ invoices are not processed and paid.	9
Accounts receivable	The audit will consider whether there are adequate and effective controls in place to ensure: • Invoices are raised on a timely basis for all goods and services provided. • Invoices are cancelled or written off appropriately. • Income is correctly accounted for. • Debtors are actively managed so as to reduce the level of bad debts and loss of income.	9
General ledger	The audit will consider whether there are adequate and effective controls in place to ensure: • Access to the accounting systems is appropriately managed and controlled. • There are no unauthorised changes to the accounting records. • Financial data is complete, timely and accurate.	6

Audit review	Outline audit scope	Days
	Misappropriations or errors are detected.	
<i>Follow up audit activity</i>		
- The reviews will incorporate a self-assessment by management of the progress made in implementing agreed actions; and - Selective test checking of controls introduced to address identified unmitigated risk.		2
<i>Other components of the audit plan</i>		
Management activity	- Attendance at meetings of the Audit Committee. - Production of the annual audit plan. - Preparation of the Audit Committee monitoring reports. - Preparation of the annual report of the Head of Internal Audit. - Pension Assurance.	10
National Fraud Initiative	Support to Lancashire Combined Fire Authority (LCFA) with the NFI data matching process as required.	1
<i>Approved days</i>		70

Addendum 1

Proposed Fees

				Proposed Charges		
Audit Review	Audit days	Auditor Days	Audit Manager Days	Auditor/ Senior Charges	Audit Manager Charges	Total Charges
Cyber Security	15	12	3	£4,560.00	£1,350.00	£5,910.00
Implementation of learning from National Incidents	15	12	3	£4,560.00	£1,350.00	£5,910.00
Accounts payable	9	7.2	1.8	£2,736.00	£810.00	£3,546.00
Accounts receivable	9	7.2	1.8	£2,736.00	£810.00	£3,546.00
General ledger	6	4.8	1.2	£1,824.00	£540.00	£2,364.00
Follow up activity	2	1.8	0.2	£684.00	£90.00	£774.00
Overall governance, risk management and control arrangements	3	0	3	£0.00	£1,350.00	£1,350.00
Management activity	10	0	10	£0.00	£4,500.00	£4,500.00
National Fraud Initiative	1	1	0	£380.00	£0.00	£380.00
Total	70	46	24	£17,480.00	£10,800.00	£28,280.00

Lancashire Combined Fire Authority Internal Audit Service Charter

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.

Lancashire Combined Fire Authority Internal Audit Service Charter

- 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 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

Lancashire Combined Fire Authority Internal Audit Service Charter

objectives; ensures that financial and operational management is effective; and includes effective arrangements for the management of risk.

- 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

Lancashire Combined Fire Authority Internal Audit Service Charter

responsibilities are set out in *PSIAS*, and these are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

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 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

Lancashire Combined Fire Authority Internal Audit Service Charter

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 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 27 March 2024

Risk Management Framework Update

Appendix 1 – Risk Management Policy

Appendix 2 – Risk Management Procedure

Appendix 3 – Corporate Risk Register

Contact for further information – Esma Alicehajic, Senior Business Continuity and Emergency Planning Officer
Tel: 01772 866 6874

Executive Summary

Improvements to Lancashire Fire and Rescue Service's (LFRS) organisational risk management were identified to bolster its robustness. A proposal was presented to the Corporate Programme Board (CPB) in August 2023, outlining a new LFRS risk management policy and procedure aligned with ISO 31000:2018 standards, which introduced a tiered approach to organisational risk and enhanced monitoring and management, as well as the adoption of a new corporate risk register, in line with the National Fire Chiefs Council (NFCC) template. Upon adoption, effective risk management practices are now integrated into quarterly CPB meeting agendas, provide strategic oversight, ensure legislative compliance, optimise resource allocation, and facilitate risk reporting to the Combined Fire Authority.

Recommendation(s)

The Committee is asked to:

- approve the new risk management policy, procedure, and the associated organisational risk register layout.
- endorse the up-to-date Corporate Risk Register and its content.

Information

The Audit Committee is a cornerstone of the Authority's governance framework, tasked with providing independent assurance to governance stakeholders regarding the adequacy of LFRS's risk management framework, annual governance processes, and internal control environment. Its primary function includes evaluating the effectiveness of the Authority's risk management arrangements. Accordingly, this paper outlines recent enhancements to the LFRS risk management framework for your consideration.

The Civil Contingencies Act (CCA 2004) sets out the legal framework for contingency arrangements to assess, plan and advise against LFRS organisational risks, be it departmental or corporate, however, there is no prescriptive way within the framework of doing this. Therefore, the Service has the freedom to manage risk using a method that ensures a clear governance structure that best meets the needs of the business.

This moral and statutory duty not only requires LFRS to take all reasonable actions to safeguard its employees, assets, and the public, but also to ensure that it is not financially or operationally disrupted. It can meet this duty by ensuring that risk management plays an integral part in the governance of the Service at a strategic, tactical, and operational level.

A comprehensive review of the corporate risk profile revealed adherence to fundamental aspects of risk management at LFRS. However, to ensure compliance with legislative requirements and bolster the robustness of the risk management framework, several proposed changes were identified.

In parallel, the NFCC's Business Continuity group broadened its scope to include risk within its Terms of Reference (ToR) and developed a corporate risk register template to be used across the fire sector.

A proposal was presented to the Corporate Programme Board in August 2023, outlining a new risk management policy (Appendix 1), procedure (Appendix 2), and alignment of the LFRS Corporate Risk Register with the NFCC template. This policy and procedure aligned with ISO 31000:2018, to ensure an accurate description and appropriate monitoring and management of LFRS risks. Additionally, a tiered approach to risk was introduced, allowing for escalation or de-escalation as needed.

Effective risk management practices aligned with ISO 31000:2018 yield numerous benefits for LFRS, including proactive risk mitigation, enhanced decision-making, clear accountability, and improved financial control.

By integrating risk management into quarterly CPB meetings as a standing agenda item, LFRS aims to provide strategic oversight of the risk management process. Overall, these measures enable LFRS to fulfil its legislative duties and optimise resource allocation while providing a structured mechanism for reporting on risk to the Audit Committee.

A recent external audit, conducted by Grant Thornton, assessed the changes introduced to the LFRS organisational risk management framework and concluded that significant progress had been achieved.

Since its establishment, the new Corporate Risk Register has undergone quarterly review and updates by all pertinent risk managers and owners. It is included as Appendix 3 for your review.

In conclusion, recent enhancements to the LFRS risk management framework, outlined in this paper, aim to ensure compliance with legislative requirements, bolster the robustness of risk management practices, and provide a structured mechanism for reporting to the Audit Committee, further optimising resource allocation and strategic oversight.

Business risk

The business risk to LFRS of not implementing an efficient and effective risk management system can be catastrophic in terms of financial impacts, service provision, health and safety, service objectives, KPIs, reputation and for government relationships.

Sustainability or Environmental Impact

There are no identified impacts on sustainability or the environment.

Equality and Diversity Implications

There are no identified implications on equality and diversity.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

If the answer is yes, please contact a member of the Democratic Services Team to assist with the appropriate exemption clause for confidential consideration under part 2 of the agenda.

HR implications

The long-term outcome of this proposal is that risks will be managed more efficiently therefore having a positive impact on managers time in dealing with risk impacts.

Financial implications

The long-term implications of this proposal will allow LFRS to make evidence-based decisions and consider the cost benefit of risk versus the acceptance of the risk impacts.

Legal implications

Failure to establish robust mechanisms for identifying and managing organisational risks within LFRS could lead to non-compliance with the Civil Contingencies Act (CCA) 2004.

Local Government (Access to Information) Act 1985**List of background papers**

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

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RISK MANAGEMENT POLICY

Table of Contents

Table of Contents.....	1
1. Purpose.....	2
2. Objectives.....	2
3. Benefits of Effective Risk Management.....	3
4. Definitions.....	4
5. Roles and Responsibilities.....	4
6. Risk Management Process.....	5
7. Implementation.....	ERROR! BOOKMARK NOT DEFINED.
8. Policy Review/Document Control.....	5

1. Purpose

Lancashire Fire and Rescue Service has a moral and statutory duty to take all reasonable actions to safeguard its employees, assets and the public and ensure that it is not financially or operationally disrupted. It will meet this duty by ensuring that risk management plays an integral part in the governance of the Service at a strategic, tactical, and operational level.

Risk management is an active process that requires the co-operation of all staff. Thus, the management of risk is not the responsibility of any one person or group, but the responsibility of every individual in the organisation. Risk management has the responsibility to plan and systematically approach the identification, analysis, and control of risk, and is therefore recognised as an important element of good corporate governance.

The purpose of this Risk Management Policy is to establish a comprehensive framework that ensures effective and consistent risk management practices throughout Lancashire Fire and Rescue Service in alignment with ISO 31000:2018.

This policy aims to enhance the organisation's ability to identify, assess, treat, and monitor risks, thereby promoting safety, protecting assets, and improving decision-making processes.

2. Objectives

The objectives of the Risk Management Policy are as follows:

- To implement a systematic and transparent risk management process that identifies, assesses, treats, reports, and reviews risks across all areas of the organisation.
- To establish a standardised set of risk management tools and methodologies applicable to all departments, programmes and projects within Lancashire Fire and Rescue Service.
- To adopt consistent definitions and risk ratings in accordance with ISO 31000:2018, ensuring the identification, assessment, treatment, and reporting of all significant risks within the defined risk appetite.
- To integrate risk management into all planning processes, projects, activities, and day-to-day operations, fostering a risk-aware culture across the organisation.

- To ensure that all managers understand and fulfil their responsibilities in managing risks associated with their respective service areas.
- To communicate risk management information transparently and accessibly, facilitating informed decision-making at all levels of the organisation.

3. Benefits of Effective Risk Management

Effective risk management practices aligned with ISO 31000:2018 provide the following benefits to Lancashire Fire and Rescue Service:

- A robust and systematic process to identify, assess, treat, report, and review risks, leading to proactive risk mitigation.
- A clear audit trail of all key risks facing the organisation and the necessary actions in place to mitigate them, ensuring accountability and transparency.
- Improved decision-making based on risk assessments and analysis, enhancing the organisation's ability to achieve its objectives.
- Clear ownership of risks across the organisation, promoting a proactive risk management culture.
- Identification and appropriate ownership of cross-cutting risks, facilitating a coordinated and integrated approach to risk management.
- Enhanced corporate governance, fostering confidence and trust among stakeholders.
- Decline in the number of interruptions to service delivery (minimal service disruption and a positive external image as a result).
- Reduction in managerial time devoted to managing the results of a risk event having taken place.
- A more systematic method to addressing legislative, regulatory or competitive demands.
- Improved financial control as a result of risk identification, analysis, treatment, and monitoring.
- Improved health and safety and the superior condition of property and equipment.

4. Definitions

For definitions of risk management terms, please refer to Appendix A of the Risk Management Procedure.

5. Roles and Responsibilities

- The Combined Fire Authority is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management.
- Accountability for this Risk Management Policy lies with the Combined Fire Authority and the Chief Fire Officer (CFO).
- The Director of Corporate Services is responsible for preparing the Authority's risk management policy statement and for promoting it throughout the Authority.
- Senior Management Team (SMT) members are responsible for reviewing corporate and departmental risks and developing appropriate risk management controls in their own areas of responsibility.
- The Director of Corporate Services is responsible for maintaining a corporate risk register and reporting this to the Audit Committee at least annually.
- The Director of Corporate Services is responsible for advising the Authority on insurance matters and is responsible for ensuring that proper insurance cover exists and that adequate resources are available to fund uninsured risks.
- The Deputy Chief Fire Officer (DCFO) is responsible for the development, review, and monitoring of compliance with this policy.
- All employees are responsible for identifying, reporting, and managing existing risks, as well as potential risks not previously recognised and recorded, as part of their daily duties.
- Further responsibilities of various roles in risk management are detailed in Appendix B of the Risk Management Procedure.

6. Risk Management Process

- The risk management process at Lancashire Fire and Rescue Service aligns with the principles and guidelines of ISO 31000:2018 and covers corporate, department, programme, and project risks.
- The process allows LFRS to focus on risks that, because of their likelihood and impact, make them management priorities.
- Corporate risks are managed by the Service Management Team (SMT) and discussed as a standing item in quarterly SMT Corporate Programme Board (CPB) meetings.
- Department risks are managed by Department Heads and their staff, applying consistent risk assessment and treatment processes.
- Programme risks are managed by the programme board using standardised risk management methodologies.
- Project risks are managed by the appropriate project managers using standardised risk management methodologies.
- The risk management process involves five stages as detailed in the Five Stage Approach to Risk Management within the Risk Management Procedure.

7. Policy Review/Document Control

This Risk Management Policy shall be reviewed and updated as required based on changes in organisational needs, industry standards, or best practices, ensuring its continued alignment with ISO 31000:2018.

Amendment History:

Version	Date	Reasons for Change	Amended by
0.1	August 2023	First draft	Esma Alicehajic

Next Review Date: August 2024

Related Documents (If applicable)

Document Type	Reference Number	Title	Document location	Date Reviewed
		Risk Management Procedure		

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RISK MANAGEMENT PROCEDURE

Table of Contents

Table of Contents	2
Purpose.....	3
Benefits of Effective Risk Management	3
Aims and Objectives	4
Responsibilities	4
Risk Management Process	5
IDENTIFY THE RISK:	6
ASSESS THE RISK:.....	7
TREAT THE RISK:	8
REPORT THE RISK:	8
REVIEW THE RISK:.....	9
Monitoring And Review	9
Document Control.....	10
Appendix A – Glossary Of Terms	11
Appendix B – Responsibilities For Risk Management.....	12
STRATEGIC (CORPORATE) RISK MANAGEMENT.....	12
DEPARTMENT RISK MANAGEMENT	12
RISK TEAM.....	ERROR! BOOKMARK NOT DEFINED.
RESPONSIBILITIES IN RISK MANAGEMENT.....	13
Appendix C – Risk Categories	14
Appendix D – Risk Criteria	15
INTRODUCTION	15
LIKELIHOOD	15
IMPACT	15
RISK MATRICES.....	15
<i>Scoring Matrix</i>	16
<i>Impact</i>	15
<i>Likelihood</i>	16

Purpose

The purpose of this Risk Management Procedure is to establish a framework that ensures effective and consistent risk management practices throughout Lancashire Fire and Rescue Service. This procedure should be well-communicated to all personnel and should be read alongside the Risk Management Policy specific to Lancashire Fire and Rescue Service.

Benefits of Effective Risk Management

Effective risk management provides the following benefits:

- A robust and systematic process to identify, assess, treat, report, and review risks, leading to proactive risk mitigation.
- A clear audit trail of all key risks facing the organisation and the necessary actions in place to mitigate them, ensuring accountability and transparency.
- Improved decision-making based on risk assessments and analysis, enhancing the organisation's ability to achieve its objectives.
- Clear ownership of risks across the organisation, promoting a proactive risk management culture.
- Identification and appropriate ownership of cross-cutting risks, facilitating a coordinated and integrated approach to risk management.
- Enhanced corporate governance, fostering confidence and trust among stakeholders.
- Decline in the number of interruptions to service delivery (minimal service disruption and a positive external image as a result).
- Reduction in managerial time devoted to managing the results of a risk event having taken place.
- A more systematic method to addressing legislative, regulatory or competitive demands.
- Improved financial control as a result of risk identification, analysis, treatment, and monitoring.
- Improved health and safety and the superior condition of property and equipment.

Aims and Objectives

The primary aim of this procedure is to outline the practical methods for implementing the Lancashire Fire and Rescue Service Risk Management Policy.

The objectives of the Risk Management procedure are as follows:

- Establish a standardised set of risk management tools applicable to all areas of the organisation to manage risks.
- Adopt consistent definitions and risk ratings to ensure the identification, assessment, treatment, reporting, and review of all significant risks within the defined risk appetite.
- Integrate risk management into all planning processes, projects, activities, and day-to-day operations.
- Ensure that managers are aware of their responsibilities in managing risks associated with their respective service areas.
- Communicate risk management information transparently and accessibly.

For definitions of risk management terms, please refer to Appendix A.

Responsibilities

Accountability for this risk management procedure lies with the Combined Fire Authority and the Chief Fire Officer. The Director or Corporate Services is responsible for the oversight of the associated Risk Management policy, while the Service Improvement Department, through the oversight of the Deputy Chief Fire Officer, holds responsibility for the development, review, and monitoring of compliance with this procedure and its associated policy.

All employees are responsible for identifying, reporting, and managing existing risks, as well as potential risks not previously recognised and recorded, as part of their daily duties.

Further responsibilities are detailed in Appendix B.

What Is Risk Management

Risk management is the systematic and cyclical process of identifying, assessing, evaluating, treating, and monitoring risks to achieve organisational objectives. It involves the continuous cycle of identifying potential events or situations that could have adverse effects on achieving objectives and taking proactive measures to manage or mitigate those risks. Risk management is integrated into all aspects of

Lancashire Fire and Rescue's operations to enable informed decision-making, prioritise resource allocation, and enhance overall resilience.

In lieu of an effective Risk Management process, risks can threaten the assets of an organisation or the ability to provide a service. Therefore, Risk Management should not be seen as a “bolt on”; it should be integral to planning and operational management within the organisation.

Applying the risk management cycle will help the CFA and management make informed decisions. The risk management cycle will generate information that will help ensure that risks can be avoided or minimised in the future. It will also inform judgements on the type and degree of insurance cover and the balance to be reached between self-insurance and external protection.

Risk Management Process

The risk management process at Lancashire Fire and Rescue Service covers corporate, department, programme, and project risks.

- **Corporate risks:** These risks have a significant impact on the organisation's medium and long-term goals. They are managed by the Service Management Team (SMT) and discussed as a standing agenda item at quarterly Corporate Programme Board (CPB) meetings.
- **Department risks:** These risks are encountered in the daily corporate and/or operational environment. Department Heads and their staff manage these risks.
- **Programme risks:** These are risks which are common to a particular project programme and are discussed as a standing item in the programme board quarterly meetings.
- **Project risks:** These are uncertain events that may or may not occur during a project. The appropriate project manager manages these risks.

LFRS follow a structured approach to risk management and assurance which involves five processes, as seen below, ahead of being captured within a risk register. Each stage of the process should be recorded on the relevant risk register, according to the categories outlined above, which for Corporate and Department risk is held within the designated [Risk Register](#) Microsoft Teams Channel, in the CPB Team. Programme and Project risk information is contained within the respective programme and project files.

Details of the risk, triggers, consequences, current controls/mitigations, and outstanding exposures are recorded in the relevant risk registers. The inherent risk scoring is conducted based on the risk with the current controls/mitigations considered. Any risk treatment is recorded under actions and the residual risk

scoring is conducted based on the predicted effect of the risk treatment on the likelihood and impact. The risk manager is recorded under the by whom section. The date for action implementation, risk owner and Directorate are also recorded for each risk.

The risk management process involves the following five stages:



Identify the risk:

Risks can be identified proactively during planning activities, development of department plans, and new projects. They can also emerge during day-to-day activities or as a result of assurance activities. Historic review and group discussions are also useful methods for risk identification.

It is important that we take every opportunity to consider whether there are any new or emerging risks. Risks are dynamic and therefore potential impacts will change over time. There are a number of methods that can support risk identification:

- Proactive – when undertaking planning activities, developing department plans and new projects, consider what threats and opportunities are associated with the risk.
- Reactive – new risks may present themselves during day-to-day activities or as a result of events during Performance and Review (P&R), Business Interruption Reporting (BIR) or other assurance activities.
- Historic review – risks that have been logged as a result of previous events can be considered again for similar planning activities or projects.

- Group discussion – it is good practice to include risk management as a standard agenda item on all regular meetings, in particular the Corporate Programme Board (CPB) meetings, with the potential escalation of departmental risks being discussed within this forum and reported to the SMT appropriately. In addition to this the identification of emerging risks should also form part of the discussion and escalation process.

Identified risks must be described in a way that they can be understood by all. The accepted method is to create a description that separates the cause, triggers (uncertainty) and effect (impacts) as outlined below:

Risk Cause: Describes the source of the risk, i.e. the event or situation that gives rise to the risk. They are the potential trigger points for risk but are not risks in themselves; they may be either internal or external to LFRS.

Risk Event: Describes the area of uncertainty in terms of threat or opportunity (using 'may' or 'might' in this part of the description is helpful).

Risk Impacts: Describes the consequence that the risk would have on LFRS activities should the risk materialise.

Examples of relevant, but not exhaustive, risk categories are included in Appendix C.

Assess the risk:

Before treating risks, they need to be assessed to prioritise them. This is done by measuring the likelihood of the event occurring and the impact/severity if the event occurs. Lancashire Fire and Rescue Service uses the Risk Criteria and Risk Matrix provided in Appendix D for risk assessment.

Bespoke risk assessments are used for various functional activities including Health & Safety as part of their ISO accreditation.

It is important to define the Risk Appetite for LFRS. For all Corporate, Department, Programme and Project risks the risk appetite is set at "Tolerable". Any risk calculated from 1 to 4 for the inherent risk score is determined to be within the risk appetite of LFRS so will be monitored but not treated as a priority. Any risk above this threshold (i.e. scoring above 4 for the inherent risk score) would need further consideration and a decision taken as to how the risk should be treated. Any risk scoring 15 or above should be considered as an intolerable risk for which reduction activities should be prioritised.

There are some instances, however i.e. Operational Assurance, Health and Safety, Business Assurance, where all risks are treated and action plans are developed to support the Service's assurance processes. Risks identified at operational incidents

should be escalated via the operational debrief processes and active incident monitoring.

Risk ratings are calculated at 3 key stages, which are:

- **Initial Inherent Risk Rating** – this should be carried out by the individual/team as soon as the risk is identified, can be informal.
- **Inherent Risk Rating** – to avoid subjectivity the initial risk rating should be discussed, and a rating 'agreed' with the relevant department head or group i.e. SMT.
- **Residual Risk Rating** – Once risk controls have been implemented it is necessary to review the risk rating to identify if the risk has been sufficiently reduced so that it falls within LFRS' risk appetite.

Any risk rating that exceeds the defined appetite, as described above, prompts an action plan to allocate necessary control measures to reduce the likelihood or impact until the risk is tolerable.

Treat the risk:

Risks are treated appropriately:

- **Avoid** the risk by removing the cause of a threat. This may be adopted at no cost by changing work practices, however any costs incurred as a result of the actions should be justified.
- **Reduce** the risk by taking actions that mitigate or reduce the likelihood/impact.
- **Transfer** the risk by passing part of it to a third party i.e. insurance or share amongst multiple parties.
- **Accept** that the risk will occur and accepting the impact if it does. This action is not appropriate if the risk exposure exceeds the risk appetite (Moderate/Substantial/Intolerable).

Report the risk:

Risk must be reported at the appropriate level.

The Corporate Risk Register (CRR) provides an overview of all identified corporate live risks. The Director or Corporate Services has oversight of the Risk Management framework and maintains the CRR. The CRR is developed, with the coordination of the Senior Business Continuity and Emergency Planning Officer and agreed upon by the SMT on a quarterly basis through the CPB meetings. The Director of Corporate Services is responsible for reporting on the CRR to the CFA through the Audit Committee at least annually.

Department Risk Registers provide an overview of all identified departmental risks. The respective Department Heads, with the support from the Senior Business Continuity and Emergency Planning Officer, are responsible for reporting their risks through the department risk registers. Should a Department Head consider a risk on their register requires escalating to the CRR, the respective Department Head can raise the specific risk during the quarterly CPB meetings, where a consensus can be drawn by the SMT.

project and risk registers are held for each programme board. Any new risks reported to a Programme Board should be assessed to consider whether it needs consideration by the SMT for escalation to the CRR and minuted as an action to raise with the Senior Business Continuity and Emergency Planning Officer.

Review the risk:

Regular reviews are conducted to assess the effectiveness of risk control measures and to monitor changes in risks over time.

Risks that appear in the CRR (Corporate Risks) are reviewed by the Senior Business Continuity and Emergency Planning Officer and risk managers, subsequently with risk owners on a quarterly basis, on behalf of the Director of Corporate Services, making any required changes ahead of being reported to the SMT during the CPB meeting. The SMT proactively monitor progress in the intervening period. This allows the opportunity to archive or de-escalate risks between the CRR and departmental risk registers, in addition to horizon scanning to identify any emerging risks.

Department risks are also reviewed quarterly by the Senior Business Continuity and Emergency Planning Officer and relevant Department Head during individual meetings. The onus for continuous monitoring of these risks lays with the relevant Department Head, who can present the risks at the quarterly CPB meeting for SMT consideration and decision of whether the risk requires escalation onto the CRR during the quarterly CPB Risk Management standing agenda item. The Senior Business Continuity and Emergency Planning Officer will conduct analysis on all of the departmental risk registers in aim of identifying any common themes that can also be brought to the CPB and discussed for broader treatment, if required.

Project risks are reviewed in conjunction with the project requirements at project meetings (frequency depends on the project but usually monthly).

Monitoring And Review

This Risk Management Procedure shall be reviewed annually and updated as required by the Service Improvement department.

Next Review Date: August 2024

Document Control

Amendment History

Version	Date	Reasons for Change	Amended by
0.1	August 2023	First draft	Esma Alicehajic
0.2	March 2024	Elaboration of the risk scoring criteria	Esma Alicehajic

Related Documents (If applicable)

Document Type	Reference Number	Title	Document location	Date Reviewed
Policy Document		Risk Management Policy	LFRS Risk Management Policy draft v0.1.docx	August 2023

Appendix A – Glossary of terms

Risk - an uncertain event(s) that, should it occur, will have an effect on the achievement of objectives. A risk is then measured by a combination of the likelihood of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.

Threat - an uncertain event that could have a negative impact on objectives or benefits.

Opportunity - an uncertain event that would have a favourable impact on objectives or benefits if it occurred.

Issue - an event that has happened was not planned and requires management action. It could be a problem, benefit, query, concern, or the result of an assurance activity.

Risk Management - the process directed towards the effective management of threats and opportunities to the organisation achieving its objectives.

Risk Appetite - the amount and type of risk that an organisation is willing to accept.

Risk Tolerance - the threshold level of risk exposure which when exceeded triggers some form of response (e.g., escalation or action)

Control measure - a structure, system, process, procedure, policy, or any other action designed to modify/mitigate the risk i.e., reduce the likelihood and/or impact of a risk.

Risk Owner – a person delegated/ assigned with the authority and accountability to manage a risk.

Risk Manager – a person responsible for implementing risk management processes within a department.

Risk Actionee – a nominated individual responsible for undertaking activities associated with a risk.

Stakeholder – a person or organisation that can affect, be affected by, or perceive themselves to be affected by decisions or activities relating to the risk.

Risk Register – a record of information detailing type and exposure of risks across the Service.

Appendix B – Responsibilities for Risk Management

Corporate Risk Management

Combined Fire Authority (CFA) Members (Audit Committee)

Combined Fire Authority Members will:

- Be aware of the risk management implications of decisions.
- Receive annual reports on Corporate Risk Management activities.
- Ensure that there is an effective strategy to manage risks throughout the Authority.

Service Management Team (SMT)

The specific role of the SMT in respect of Corporate Risk Management will be to:

- Ensure that there is an effective framework for the management of all risks throughout the organisation.
- Advise the CFA of the risk management implications of key proposals.
- Ensure appropriate management of corporate risks that could significantly affect the medium and long-term goals of the organisation providing corporate oversight of these activities as part of the group's quarterly standing agenda item.
- Review the CRR on a quarterly basis and record mitigation appropriately, assessing risks and agreeing a strategy to manage those risks raised within the CRR.
- Develop, implement, and monitor action plans to minimise risks identified in the CRR.
- Review and moderate risk management action plans for relevance, consistency, and appropriate risk control measures.

Department Risk Management

It is imperative that all Heads of Department ensure that they continually manage those department risks that are encountered on a daily basis.

All employees must have an awareness of risk management and an understanding of their role in the risk management process with regard to identifying risks and reporting them to their line manager.

Department Heads have responsibility to:

- Ensure that department risks are aligned with department plans and any associated Key Performance Indicators
- Monitor the progress of planned actions to ensure that risk is minimised.
- Report the progress of risk management action plans on a quarterly basis.
- Ensure that, where appropriate, action plans are produced, and risk control measures are introduced.

Responsibilities In Risk Management

The following roles associated with risk management are defined as:

Risk Owner – A member of SMT who has overall accountability for the management of an identified risk. The risk owner is responsible for:

- approving changes to the risk's profile and action plan.
- ensuring that appropriate resources and importance are allocated.
- confirming the existence and effectiveness of the mitigating actions and ensuring that any proposed mitigating actions are implemented.
- providing assurance that the risks for which they are Risk Owner are being effectively managed.

Risk Manager – A senior manager (Dept. Head/Senior Manager) who has been delegated the responsibility for managing an identified risk including the implementation of mitigating actions. Responsibility to delegate to suitable team member for actions.

Appendix C – Risk Categories

Categories of Risk

Risks can be strategic or operational.

- **Strategic/Corporate** – risks that need to be taken into account in judgements about the medium to long-term goals and objectives of the authority.
- **Political** – Those connected with the failure to deliver either local or central government policy.
- **Economic** – Those affecting the authority's ability to meet its financial commitments. These include internal budgetary pressures, the failure to purchase sufficient insurance cover or the effects of proposed investment decisions.
- **Social** – Those relating to the consequences of changes in demographic, residential or socio-economic trends on the authority's ability to meet its objectives.
- **Technological** – Those associated with the authority's ability to cope with the scale and pace of technological change, and its ability to use technology to meet changing demands.
- **Legislative** – Those associated with present or future national and European law.
- **Environmental** – Those relating to the environmental consequences of progressing the authority's strategic objectives (e.g., in terms of pollution and energy efficiency).
- **Customer/Citizen** – Those connected with the failure to meet the present and shifting needs and expectations of the customers and citizens.
- **Operational** – risks encountered in the everyday work of managers and staff.
- **Professional** – Those involved with the specific nature of each profession.
- **Financial** – Those linked to financial planning and control and sufficiency of insurance cover.
- **Legal** – Those connected to possible violations of legislation.
- **Physical** – Those associated with fire, accident prevention and health and safety.
- **Contractual** – those related to the failure of contractors to deliver services or products to the agreed cost or specification.
- **Technological** – Those linked with the reliance on operational equipment.
- **Environmental** – Those relating to pollution and energy efficiency of ongoing service operations

Appendix D – Risk Criteria

Introduction

Once a risk is identified it is important to prioritise it. This will ensure appropriate resources are allocated to those risks that require them. To prioritise risks, we assess the likelihood of occurrence, and the impact should it occur. It is important that the risk description is carefully constructed so that we can fully understand and assess the risk, this is particularly important when assessing the impact.

Likelihood

Likelihood looks at when the risk is probably going to take effect. To improve consistency when measuring likelihood guidance on the scoring criteria is provided below.

Impact

The impact examines what effect the risk's occurrence will have upon us. When assessing the impact, a number of factors are considered including delivery of objectives, service delivery, finance, and reputation.

Risk Matrices

Using a 5x5 scoring matrix we prioritise the risks by multiplying impact and likelihood scores together. The higher the score, the higher the risk rating is.

Impact

The impact of risks should be scored using the below criteria. If a single risk impacts multiple categories in different severity, then the average impact score should be used in the inherent and residual risk score. For example, the risk of loss of SHQ due to fire scores a 5 in the financial category, but a 1 in Government relations, then the score of 3 should be used for the purposes of the risk register.

Score	1	2	3	4	5
	Minor	Noticeable	Significant	Critical	Catastrophic
Financial	£0k - £100k	£100k - £250K	£250k - £1m	£1m - £2m	£2m+
Service Provision	No impact	No impact	Services reduced but still able to meet statutory duties	Services suspended and unable to meet statutory duties for a short period	Services suspended and unable to meet statutory duties for a long period

Health & Safety	Cuts & bruises	Broken bones/illness	Loss of life/ major illness	Significant loss of life/ major illness	Major loss of life/ large scale major illness
Objectives	No impact on objectives	Several departmental objectives not met	One corporate objective not met	Two corporate objectives not met	Several corporate objectives not met
KPIs	No impact on corporate Key Performance Indicators	Several corporate Key Performance Indicators not met by less than 10%	Several Key Performance Indicator not met by between 10% & 20%	Several corporate Key Performance Indicators not met by between 20% and 50%	Several corporate Key Performance Indicators not met by more than 50%
Reputation	-	-	Adverse local publicity	Adverse national publicity	Adverse national publicity for an extended period
Government Relations	-	-	Poor assessments	Service taken over temporarily	Service taken over permanently

Likelihood

Likelihood of risk can be determined using quantitative and/or qualitative data, historical data, expert judgment, and any other available evidence.

Score		Probability
5	Certain/ Almost certain	Greater than 90%
4	Very likely	65% to 90%
3	Likely	35% to 65%
2	Unlikely	5% to 35%
1	Rare/Very Unlikely	Less than 5%

Scoring Matrix

The Impact and the Likelihood scores of risks are multiplied and the score is referenced using the below risk matrix to determine the priority of the risk mitigations.

Likelihood		Certain Almost certain	5	10	15	20	25
	5		4	8	12	16	20
	4	Very likely	3	6	9	12	15
	3	Likely	2	4	6	8	10
	2	Unlikely					

	1	Rare/Very Unlikely	1	2	3	4	5
			Minor	Noticeable	Significant	Critical	Catastrophic
			1	2	3	4	5
Impact							

Generally, any red risks are viewed as unacceptable and must be treated as a matter of priority. It may be necessary to carry out a cost benefit analysis to ensure that the cost of introducing further mitigating action(s) does not outweigh the cost of tolerating the risk.

Amber risks are acceptable; however, the risk should be reduced as low as is reasonably practicable and contingency plans must be developed.

Green risks are broadly acceptable, but close monitoring must be maintained.

The acceptance of a risk represents an informed decision to accept the impact and likelihood of that risk and therefore falls within the organisation's risk appetite.

A risk owner must be allocated to each identified risk. This ensures the 'ownership' of the risk is identified and that the appropriate resources are allocated.

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Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Loss or lack of staff due to...					0	
Industrial Action	1) Tactical Industrial Action BCP 2) Operational BCP Industrial Action 3) Grey book pay award agreement 22/23 & 23/24. 4) Undertaken lengthy, robust, thorough planning and testing of the IA BCPs for Grey Book staff. 5) Staff Absence Tactical BCP 6) Departmental mitigations for loss of staff	1. Minimum Service Level bill. 2. Future pay awards. 3. Implementation of the ECR	2	4	8	1) Continue monitoring of the Unions position on current and future potential disputes. 2) Address any potential green book staff industrial action in respective departmental BCPs.
Inability to recruit or retain key staff	1) Stockpiled drinking bottled water through stores. 2) Facility specific BCPs to ID alternative local locations for water supply. 3) Utilisation of open water to replenish water stocks for appliances.		2	3	6	watching brief
Page 231 Inability to provide sufficient staff in leadership roles	1) Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile. 2) Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap. 3) 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. 4) 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. 5) Coaching and mentoring system introduced Action Learning Sets introduced. 6) Leadership Conferences delivered 7) Talent Gateway in place with clear development and promotion pathways established for operational staff.		2	3	6	1) The Service continues to offer leadership development to supervisory and middle managers. 2) 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. 3)A revised grading structure has been implemented for Green Book employees which should aid recruitment and retention.
Pandemic/ill-health epidemic	1) Tactical BCP Staff Absences 2) Tactical Appliance and Crew Degradation BCP 3) Recommendations on AMS resulting from the COVID debrief 4) LRF recommendations from COVID debrief. 5) Increased remote working capabilities.	Future occurrence of a different type of pandemic, requiring different mitigations and with a different mode of transmission.	2	5	10	1) Continuation of updating relevant plans and H&S information in line with newest developments and research. 2) Explore the possibility of developing an early warning trigger mechanism from HR to inform REP action/monitoring on potential increases sickness and absences. 3) Monitor developments with the increasing measals outbreak
Financial Pressures					0	

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Loss of funding	1) Lobby for a multi-year settlement 2) Monitoring national picture with regards to Fair Funding and Business Rates Retention model to ensure fire service risks / funding adequately represented 3) Lobby for continued Council Tax flexibility (ie £5 flexibility provided in respect of council tax increases in 23/24) 4) Regular updating of MTFS assumptions and scenario planning		4	5	20	1) Support NFCC in lobbying the new government for multiyear finance settlement that ensure financial sustainability.
Overspending and future financial pressures on MTFS due to increase in costs of goods and services and pay	1) Continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. 2) Extended lead times considered BaU at the planning stages. 3) Contingencies considered during the planning stages of a project. 4) Medium term financial strategy used for budget planning.	Dynamic situation of the world markets. Changes in legislation and/or regulatory requirements.	3	3	9	1) Continue to monitor impact, and will incorporate increases in our draft MTFS, as well as reviewing our level of reserves specific to this risk. 2) Continue to asses level of contingencies required on all major projects. 3) Updating of Budget Holder Guidance booklet. 4) Identifying issues via budget monitoring meetings and the various boards.
Future financial pressures on MTFS due to changes in legislation	1) Monitor planned changes in impact on spending plans in the MTFS 2) Consider potential changes in our current spending plans and potential impacts 3) Build in contingencies into future spending assumptions		3	3	9	1. Develop greater sophistication in MTFS scenario planning
Page 232 Overspending due to increase in costs and administrations associated with changes to pensions	1) Court decision re FF pensions schemes that 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 2) Court decision re FF pensions schemes that the McCloud/Sergeant judgement deemed 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) 3) Completed the necessary actions for backdating the payment of increased benefits and measures are in place to collect amended contributions.		4	4	16	1) The government have now issued measures for remedy to be completed by october 2025, this requires considerable recalcluation and data collection.Tthis is being undertaken and should resolve the issue. 2) 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. 3) Liaising with our Pension Provider on costs and timescales for undertaking the work 4) 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
Loss of Utilities					0	
Telecommunications	1) Tactical Mobilising BCP 2) Fallback communication 3) ERAL radio 4) Satellite radio 5) LRF Communications BCP	Telecommunication companies are commecerical and we cannot influence or oversee their organisational resilience outside of their Crital Infrastrutural requirments.	2	4	8	1) Implementing recommendations from Exercise Mighty Oak - Elaborate on means of communication..... 2) Participating in NWFC BC group to address the communication backups 3) 2024 plan to develop LFRS NPO BCP and test by end of year.

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Power outage	1) Generation backup for SHQ and STC 2) Two mobile generators permenately located at STC 3) NWFRS (Blackburn, Burnely, Chorley, Fleetwood) PFI Stations with own generation 4) Station BCPs 5) Ability to hire additional generators as required.	Internal procedure for calling the generator out for an unplanned outage not embedded. Contract with third party supplier does not guarantee a generator supply during times of high demand. Completion of load testing may identify some issues with power capabilities	2	5	10	1) Drafting of a power outage Tactical BCP 2) Implementing the recommendations from Exercise Mighty Oak 3) Full load testing of all LFRS generator capabilities 4) Conduct a cost benefit analysis of strategically locating the mobile generators across Lancashire.
Water	1) Stockpiled drinking bottled water through stores. 2) Facility specific BCPs to ID alternative local locations for water supply. 3) Utilisation of open water to replenish water stocks for appliances.	Reliance on the water company's BCPs to lessen the likelihood and impact of this risk to LFRS. Procurement of bottled drininking water.	2	4	8	1) Conduct a gap analysis on water outage on a county-wide scale, including bottled drinking water, firefighting water, and hygiene requirements. 2) Consider service delivery and training requirments to reduce water needs as required. 3) Investigate multiagency reciprocal agreements
Fuel	1) Tactical Fuel Disruption BCP 2) LRF Fuel Disruption BCP 3) National NEP-F 4) LFRS Bunkered Fuel		2	4	8	1) Review and update the LFRS Fuel Disruption BCP 2) Contribute to the updating of the LRF Fuel Disruption BCP 3) Maintain a minimum level of fuel (75%) in bulk storage 4) Diversification of fleet
Loss of ICT					0	
Cyber Security	1. Best practice standards set by the National Cyber Security Centre (NCSC) 2. The e-mail systems have been fully refreshed and all mailboxes are migrated to 365 for even better security and feature enhancements. 3. Aligning with the National Cyber Security Centre best practice security framework. 4. A modern EDR solution has been rolled out to all endpoints giving us greater visibility and detection. 5. All remote working laptops are now in sight of the security team for monitoring purposes. 6. MFA has begun to roll out to users with around a 60% adoption rate so far. security framework 7. Canary Devices now in place to give us an early warning measure for an incident on our network.	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. We have a lack of Incident Response capability currently and this needs address along with our support cover hours.	3	5	15	1. Reattain Cyber Essentials Plus certification. 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. 2. A Cyber Security Strategy approved by Exec board thats 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. 3. Aligning with the National Cyber Security Centre best practice security framework and will continue to do so as that develops. 4. Incident Response Retainer, having a specialist company on call for potential incidents.

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Failure of key ICT systems	1. Resilience, backup and recovery measures all consistently evolving to respond to changing threat and vulnerability profiles. 2. 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. 3. 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. 4. Aggressive vulnerability scanning and remediation procedures now in place, regular security reviews and threat intelligence awareness with partner agencies and NCSC feeds. 5. Modern Wide Area Network (WAN) to all administrative and operations sites now in play with improved outbound bandwidth available through Virgin managed internet access. 6. Storage Area Network (SAN) data, infrastructure and all essential servers replicated to the disaster recovery site at STC. 7. 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.	1. A lack of offline back to use as a last resort if we suffer a major cyber incident or outage. 2. Some Network failover issues due to routing complications. 3. The growing demand for Wi-Fi has put a strain on aging hardware that wasn't initially designed for modern use cases.	3	4	12	1. Complete migration of users mailboxes to 365. 2. Reachieve Cyber Essentials Plus. 3. dentify pathway to Azure migrate for data, storage & infrastructure. 4. Exploit cloud based security controls and increase secure score across subscriptions. 5. Implement IDS / IPS defence 6. Identify and deploy most suitable SIEM solution 7. Monthly data backups to offline storage with airgap 8. Replacement of aging Wi-Fi equipment 9. Re-Architecture of elements of the network with our new Firewall Refresh increasing resiliency and security.
Death or Serious injury of...					0	
A member of staff or contractor during work activities Page 234	1) H&S training 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Professional H&S advice from the Safety, Health and Envrionment Department. 5) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 6) External audit and scrutiny through External Auditors using ISO standards. 7) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 8) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 9) Annual SHE Report presented to CFA for member scrutiny of performance.	1. Unforeseen event resulting a safety event in the workplace.	4	4	16	1) In March 2024, 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.
A member of staff during operational activities	1) H&S training and Incident Command training. 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Operational Assurance Programme in place to ensure effective response arrangements. 5) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 6) External audit and scrutiny through External Auditors using ISO standards. 7) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 8) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 9) Annual SHE Report presented to CFA for member scrutiny of performance.	1. Unforeseen issue resulting a safety event at the incident ground.	4	4	16	1) In March 2024, 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.

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
A member of the public due to Service activities	1) H&S training and Incident Command training. 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Prevention and protection referrals 5) Operational Assurance Programme in place to ensure effective response arrangements. 6) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 7) External audit and scrutiny through External Auditors using ISO standards. 8) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 9) Annual SHE Report presented to CFA for member scrutiny of performance.	1. Unforeseen issue resulting a safety event at the incident ground.	4	4	16	1) In March 2024, 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.
Death of member of staff, visitor or contractor due to on service premises Page 235	1) H&S training 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Operational Assurance Programme in place to ensure effective response arrangements. 5) HSA3 – workplace inspection programme identifies risks and concerns which need action on LFRS sites. 6) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 7) External audit and scrutiny through External Auditors using ISO standards. 8) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 9) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 10) Annual SHE Report presented to CFA for member scrutiny of performance.	1. Unforeseen issue resulting a safety event on an LFRS premises.	4	4	16	1) In March 2024, 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.
Failure to identify and implement learning from past events.	1) Operational Assurance Programme in place to ensure effective response arrangements. 2) Safety event reporting and investigation process to facilitate learning. 3) External audit and scrutiny through External Auditors using ISO standards. 4) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 5) Annual SHE Report presented to CFA for member scrutiny of performance. 6) LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS.	1. Missed learning opportunity results in organisational omission.	4	4	16	1) In March 2024, 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.
Change in national legislation requiring additional workloads to assess implement and embed					0	

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Changes to Emergency Response Driver Training	1. The Driver Training department establishment has already been increased by an additional full time Driver Trainer to manage the existing demand. 2. 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. 3. Exec Board desicion to revert to previous training requirments until such time as the legislation is brought in.		3	4	12	1) The increase in course duration for Emergency Response Driver Training is likely to come in to force once section 19 of the road safety act changes. HOverver the furation for the new legislation is still unkown. This will be partially offset by the trainer to student ratio being changed. 2) A review of driver trainer contracts is currently underway. 3) Monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances. 4) Options scoped to further supplement and support the driving school to meet the identified deficiencies.
Loss of Service Premises					0	
Control room	1) Secondary control 2) Tactical Mobilising BCP 3) Fall-back in Service		2	3	6	1) Involvement in NWFC BC arrangements and exercises 2) Active participation on NWFC BC Management Group Meetings
Failure to maximise opportunities					0	
Technological advances	1) Digital Transformation team now in place to address horizon scanning and new tech introduction. 2) Digital Strategy now published to provide a roadmap for technical enabling of key organisational strategies. 3) 7 digital themes agreed to drive innovation and enhance digital capacity throughout the service. 4) Revised programme board structure to provide key project and digital initiative oversight. 5) A number of new products and data introduced using digital by default, cloud first technology with several more now agreed and in pipeline / flight. 6) Complete refreshed ICT 5-year plan and DT strategy for publication. 7) Compile options paper for Exec for modern ICT / DT / SDD approach and supporting departmental structures	1) DT & ICT reactive workload outside of planned work and project portfolio's is compromising R&D ability 2) Increased commitment to BaU and programme / project portfolio fully committing DT	3	4	12	1) Initiate and mature Community Developer concept 2) Progress innovative partnerships to augment capacity through collaboration 3) Continue to skill-up, train and educate users 4) Re-assigned key resource to progress a strategic technology workstream.
Failure to appropriately manage an event, situation or incident that leads to a loss of public confidence in the Fire Service						

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Failure to provide appropriate communications on events, situations or incidents that could lead to a loss of public confidence in LFRS	1) 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. 2) 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. 3) Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. 4) Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. 5) Guidance on corporate use of social media is available to all staff and Teams training sessions are offered to any staff who wish learn more. 6) New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. 7) All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy. 8) 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. 9) The photography, film and graphic design service order has been updated in 2023 and covers the policy on image use. 10) HMICFRS culture review recommendations are being implemented. 11) Values and behaviours workshops based on core code of ethics being delivered to operational staff by HR. 12) Media training delivered to flexi duty officers.	1) Human behaviours	3	3	9	1) Training continues to be delivered. Deliver training in conjunction with HR on use of messaging apps. 2) On-going monitoring and reporting of all forms of communications. 3) Implement media training for new flexi duty officers.
Operational					0	
Rapid external fire spread in high rise premises	1) 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). 2) 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 . 3) All High Rise owners and managers have been written to signposting the Government Cladding Remediation Fund. 4) Thematic Operational Assurance for high rise has been completed, which consisted of 15 audits covering all duty systems and areas across LFRS. 5) Incident command training now covers more in-depth awareness of external fire spread and tactical considerations. 6) Regional high rise exercises involving staff from LFRS have been completed in 2022. Introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). 7) Revised governance for Fire Protection has been introduced to drive reform with the introduction of dedicated AM for P&P and GMs for Prevention and Protection. 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. 8) OAG are progressing the GTI action plan, including training for responding to high rise incidents 9) Correspondence sent to building owners/managers around legislation change 10) Changes in the methodology to the risk-based Intervention Programme	1) 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.	2	5	10	1) 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. 2) Measures and oversee the life span of high risk, high risk premises. 3) 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. 4) 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. 5) Regional high rise exercises involving staff from LFRS is planned for Q3 and the learning will be shared.

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Complete removal of DCP	1) Securing a collective agreement with FRSA and FOA 2) DCP system continues to be voluntary.	The potential challenge nationally could result in another ECR in the future.	3	4	12	1) Ongoing engagement with staff and Trade Unions. 2) ECR implementation due 1st March 2024, reducing DCP units from 11 to 7.
Lack of required skills of operational staff	1) Recruitment of Whole-time and On-Call staff is undertaken against national standards. 2) Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. 3) Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. 4) Initial and Refresher training delivered to cover a wide range of specialist skills. 5) Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. 6) 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. 7) 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. 8) 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. 9) Retained Support Officers have been appointed and their responsibilities include recruitment and training. 10) 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. 11) Offer opportunities of retired employees.		3	4	12	1) Monitor effectiveness of Operational Assurance Performance Report in disseminating information. 2) Operational Assurance Officers to be 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. 3) TOR continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training, monthly performance reports are sent to HoSD. 4) TOR trainers are skill graded to ensure they operate consistently in terms of identifying training needs.
Pump delay times (10 minute rule)	1) System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. All types of roads have been assessed with an average road speed and implemented within the system, this has been loaded into road routing giving a more accurate ETA for appliances. 2) Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. 3) Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. 4)This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves		3	3	9	1) Maintain a watching brief
ESMCP	1) 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. 2) 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. 3) 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. 4) 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.	National project with limited influence from LFRS.	4	4	16	1) 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. 2) 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. 3) 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.

Risk Cause	Current Controls/ Mitigations	Outstanding Exposures	Likelihood	Impact	Inherent Risk	Actions
Retention and recruitment of On-Call staff	1) RDS recruitment and retention working group established. 2) Increased RDS basic recruits course population from12 to 24. 3) Quicker access to BA course on completion of recruit training. 4) TOR support throughout the RDS probationary period. 5) Enhanced retained pay scheme introduced and reviewed regularly. 6) The service allows shorter RDS contracts to improve appliance availability. 7)Encourages dual contract staff to contribute to the RDS. 8) Proactive recruitment by SDM's. 9) Joint working between HR and service delivery to enhance current recruitment processes. 10) RDS Strengthening & Improving programme in place with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. 11) A new Recruitment Vehicle has been established.	1. Varying labour market 2. Extraneous lifestyle factors	5	3	15	1) OC review initiated to identify and make proposals across the function aimed at improving recruitment and retention. 2) 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 3) Enhanced coordination between OCSO TL, HR, & Corp comms on recruitment targeting 4) Development of wholetime “Have a Go” events to showcase OC role at targeted stations 5) Changes to development requirements, circa 50% reduction in evidence requirements 6) Amended approach to entry requirements (from other FRS's) Further related activity; 7) Creation of a dedicated OC SM role to maintain progress momentum and coordination or various workstream 8) DCFO now National lead for OC 9) NJC workstream on remuneration for OC initiated, to be completed within 8 months, (LFRS to await these proposals) 10) Look forward, plans for OC SM to review/develop; •Turn in / out arrangements •Maintenance of skills (level of demand) •Employer engagement
Loss of NWFC mobilising system	Engagement with NWFC and monitor through Mobilising System replacement project meetings, project board and steering committee.	Extension agreement not yet reached both in terms of timing and cost, but outcome expected by end of March 2024. Telent unlikely to agree an extension beyond 31st March 2026, project delivery estimated for April 2026.	3	4	12	1) Monitor and maintain contact with NWFC regarding discussions
General						
Lack of effective Information Management	1) A revised structure to deliver Information Management has been implemented. 2) Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. 3) All freedom of information requests considered by Exec Board. 4) Data encryption in place. 5) Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. 6) Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority. 7) A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. 8) The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. 9) Data protection has been added as a standard agenda item to several key Papers in the Service. 10) The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.	Human error	2	5	10	1) Continuation of training and awareness to all staff around information governance. 2) Records management position now well established.

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