

Public Document Pack

Lancashire Combined Fire Authority Audit Committee

Thursday, 26 September 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 Lynsey Barr on telephone number Preston (01772) 866908 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 2023/24 (Pages 9 - 90)**

5. **External Audit Letter of Representation (Pages 91 - 96)**

6. **External Audit - Audit Findings Report (Pages 97 - 142)**

7. **External Audit - Auditors Annual Audit Report 2023/24 (Pages 143 - 178)**

8. **Internal Audit Monitoring Report (Pages 179 - 186)**

9. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **28 November 2024** in the Main Conference Room, Service Headquarters, Fulwood.

Further meetings are: scheduled for 27 March 2025
 proposed for 24 July 2025

10. **Urgent Business**

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

Lancashire Combined Fire Authority Audit Committee

Monday, 8 July 2024, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

Minutes

Present:	
Councillors	
M Clifford (Chair)	
J Shedwick (Vice-Chair)	
S Clarke	
J Hugo	
F Jackson	
M Salter	

Officers
S Brown, Director of Corporate Services (LFRS) J Meadows, Head of Finance (LFRS) A Latham, Financial Accountant (LFRS) S Hunter, Member Services Manager (LFRS)
In attendance
Y Li, External Audit, Grant Thornton L Rix, Internal Audit, Lancashire County Council K Wilkie, Fire Brigades Union

1/24	Apologies for Absence
	Apologies were received from County Councillor John Singleton.
2/24	Disclosure of Pecuniary and Non-Pecuniary Interests
	None received.
3/24	Minutes of the Previous Meeting
	Resolved: That the Minutes of the last meeting held on 28 March 2024 be confirmed as a correct record and signed by the Chair.
4/24	Internal Audit Annual Report
	The report was presented by Laura Rix, Senior Auditor. The Internal Audit Annual

	Report summarised the work that the Internal Audit Service had undertaken during 2023/24 and the key themes arising from it. It provided an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control. On the basis of programme of work for the year, the Head of Internal Auditor provided substantial assurance over the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. Internal Audit Work Undertaken All the budgeted days (80) had been used to deliver the internal audit plan and all 2023/24 work had been completed. Overall governance, risk management and control arrangements Substantial assurances were provided regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. Systems and processes were generally working effectively and ensured staff were aware of correct processes. Action plans were agreed with Senior Managers for issues raised during the year. Accounts payable, Accounts receivable and General ledger Audit work across each of these three key financial systems was completed. Pensions administration Assurance over the operation of the Pension Fund had been obtained from work conducted directly by Lancashire County Council's Internal Audit Service, work undertaken by the Local Pensions Partnership (Administration) Ltd, (LPPA) Internal Audit, and by KPMG for the Local Pension Partnership (Investments) Ltd (LPPI). Treasury Management The review was completed. No areas for improvement were identified. National Fraud Initiative Following the submission of data in October and November 2022, the resulting matches were released by the Cabinet Office in January and February 2023. The table in the report detailed the total number of matches identified. In response to questions from County Councillor Salter in relation to Oracle Fusion, the Head of Finance gave assurances that an approval hierarchy was in place with regular dip sampling which hadn't identified any issues. In response to a question from the Chair in relation to how District planning activity was managed, the Director of Corporate Services confirmed activity was managed consistently through an annual risk plan. Resolved: That the Audit Committee noted and endorsed the report.
5/24	External Audit - Audit Plan
	Ying Li, External Audit Manager presented the Audit Plan 2023/24.

	It was noted that the external auditors were required to produce an annual audit plan, setting out the areas intended for review during the year. Members considered the Audit Plan which included key matters that impacted on the audit, details of significant risks identified and the key aspects of proposed response to the risk, other matters, progress against prior year recommendations, Grant Thornton's approach to materiality, IT audit strategy, value for money arrangements, audit logistics and team, audit fees, independence and non-audit services, and communication of audit matters with those charged with governance. The proposed audit fee was £92.6k (last year's fee was £52.1k). The report identified significant risk areas were i) Management of override of controls, ii) Valuation of land and buildings and iii) valuation of the pension fund net liability/ surplus. This was consistent with the standard risks seen in all government organisations. Ying Li confirmed that the audit was ongoing and findings would be reported to the September Audit Committee Meeting. In response to a statement from County Councillor Clarke in relation to audit fees, the Chair stated that the fees were combined into one rather than being billed separately. The Director of Corporate Services added that there had been an increase in audit fees across the whole sector as many local authorities were in financial difficulty which required more scrutiny on Audit, consequently meaning fees had risen. In response to questions from County Councillor Salter in relation to the national context of the report being more relevant to Local Authorities than the Fire Service, the Director of Corporate Services confirmed that the annual audit identified financial stability risks which were similar across the sector for both Local Authorities and Fire Services. Resolved: That the Audit Committee agreed the external audit plan for 2023/24.
6/24	Annual Governance Statement
	The Director of Corporate Services presented the report. The Authority was required to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the statements set out the key elements of the Authority's governance framework, how these had been evaluated, the outcome of the assessment of effectiveness and any areas for improvement. The Audit Committee had previously approved a Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives). The Code defined corporate governance as the way an authority ensured that it was doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

	In order to assess the effectiveness of the Authority's current arrangements a self-assessment had been undertaken by the Executive Board who had considered the various sources of assurance that supported the core principles outlined in the report and the outcome of this was considered by Members under appendix A. One of the key elements of this was external assurance of the systems, and this was provided by internal and external auditors, both of whom provided positive reports, and by the HMICFRS Inspection which rated the Service as Good. The assessment also considered recommendations made as part of last year's Annual Governance Statement i) a project to replace the existing Performance Management System would commence; ii) an upgraded Finance system would be implemented in April 2022 and the Service would review and implement improvements to the monthly budget monitoring process which made greater use of additional functionality provided; iii) a mechanism to report to Members of the CFA the services response to national recommendations made by the HMICFRS during the year would be identified. As part of the review, the Service was required to identify and disclose any significant internal control issues, of which there had been none, hence the overall conclusion was that the system of internal controls was adequate. Resolved: That the Committee noted and endorsed I. The self-assessment and the Annual Governance Statement based on this and recommended that the Chair of the Authority sign the Statement. II. The updated Local Code of Governance
7/24	Accounting Estimates
	The Director of Corporate Services presented the report. It was noted that the International Standard on Auditing (ISA) 540: Auditing Accounting Estimates and Related Disclosures was revised in December 2018 by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body that served the public interest by setting high-quality international standards for auditing, quality control, and review. The auditing standard was revised because Statement of Accounts were increasingly subject to judgements and estimations performed by management and experts on a range of items within them, as required by current accounting standards. These changes required that auditors should understand and evaluate: "the nature and extent of oversight and governance that the entity has in place over management's financial reporting process relevant to the accounting estimates." The Audit Committee needed to understand what significant estimates would be included within the Statement of Accounts which were those that: • Required significant judgement by management to address subjectivity; • Had high estimation uncertainty; • Were complex to make; • Had, or ought to have had, a change in method, assumptions or data compared to previous periods; or • Involved significant assumptions.

	The Statement of Accounts contained estimated figures that were based on assumptions about the future or that were otherwise uncertain. Estimates considered past and current trends and/or other relevant factors. However, because balances could not be determined with certainty, actual results could be materially different from the assumptions and estimates. It was noted that the Statement of Accounts were prepared with the underlying significant assumption of Going Concern, which meant that the Authority considered its financial position to be stable for the foreseeable future, as assessed at the most recent budget setting exercise finalised in February 2024. Accounting standards required that management made an annual assessment of Going Concern, although the Code recognised that Local Authorities could not be created or dissolved without statutory prescription, the accounts must therefore be prepared on a Going Concern basis. Management had prepared the assessment in line with requirements. Members considered the significant Accounting Estimates for 2023/24 including the: estimated value, degree of uncertainty and methodology used for the: i) valuation of land and buildings; ii) depreciation of property and equipment; iii) valuation of both Firefighter and Local Government Pension Scheme (LGPS) liability; iv) valuation of LGPS pension asset; v) fair value measurement – private finance initiative schemes; and vi) holiday pay expenditure accrual. It was noted that each year Executive Board was asked to consider whether there were any transactions, events, or conditions (or changes in these) that might trigger the recognition of an additional significant accounting estimate, or the potential recognition, known as a contingent liability. Based on the returns received from Executive Board, the contingent liabilities note had been updated to reflect the current position, but there were no further significant events or transactions identified by this process. Resolved: That the report be noted and the accounting estimates as reported be endorsed.
8/24	External Audit - Understanding how the Audit Committee Gains Assurance from Management
	It was noted that in order to comply with Auditing Standards, the External Auditors, Grant Thornton needed to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulations. They were also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International auditing standards placed certain obligations on auditors to document managements' view on some key areas that affected the financial statements. In addition to the request to management, they also needed to gain an understanding of how those charged with governance maintained oversight of the above processes as set out in letters to management (Executive Board) and the Chair of the Audit Committee as now considered alongside separate responses.

	In response to questions from County Councilor Shedwick in relation to solicitors used for property matters, the Director of Corporate Services confirmed that any specialist matters would be reviewed by experts. Resolved: That the Committee noted and endorsed the response submitted by the Executive Board and approved the response by the Chair of the Audit Committee for submission.
9/24	Financial Statements Update
	The Director of Corporate Services provided the committee with an update on the preparation of the Authority's 2023/24 unaudited financial statements and included the draft core financial statements for information; the Comprehensive Income and Expenditure Account, Movement in Reserves Statement and Balance Sheet. The Director of Corporate Services explained that for the financial year 2023/24, the draft accounts should have been published by the statutory deadline; 31 May 2024, and the audited accounts should have been made available by 31 July 2024. Unfortunately, this timeline would not be met due to reasons outside the organisations control, but the draft accounts were subsequently published on 5 July 2024. The Accounts and Audit (England) Regulations 2015 applied to the preparation, approval and audit of the Statement of Accounts and other financial statements. The regulations were based on International Financial Reporting Standards (IFRS) which attempted to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency. The table in the report summarised the adjustments required to the revenue outturn to reach the Total Comprehensive Income and Expenditure and reported in the financial statements. The draft Comprehensive Income and Expenditure Account, Movement in Reserves Statement and Balance Sheet were set out in Appendix 1. Subject to changes as part of the Quality Assurance Processes, they would form part of the accounts for audit. In response to questions from County Councilor Salter in relation to the missed statutory deadline, the Director of Corporate Services confirmed that the deadline was Statutory and due to the deadline being brought forward this would always be a challenge to achieve. He confirmed that the Finance Team was now established, however a vacancy earlier in the year had impacted the small team. The Director of Corporate Services further advised that a number of Local Authorities had failed to meet the deadline. Ying Li confirmed that this was a National issue. In response to a question from the Chair in relation to penalties of missing the statutory deadline, the Director of Corporate Services confirmed there were no penalties and external audit had not been delayed. Resolved: That the committee noted the update with progress in preparing the unaudited Financial Statements; and noted the Authority's draft core financial

	statements that would form part of the 2023/24 unaudited Financial Statements.
10/24	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 06 June 2024 was presented by Laura Rix, Senior Auditor. To date, 1 day had been spent this financial year on completion of the 2024/25 plan. Laura advised that a more detailed report would be brought to the next Resources Committee Meeting. The table in the report provided a summary of the assignments that comprised the 2023/24 audit plan. Resolved: That the Committee noted and endorsed the report.
11/24	Date of Next Meeting
	The next meeting of the Committee would be held on 26 September 2024 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood. Further meeting dates were noted for 28 November 2024 and agreed for 27 March 2025.

**LFRS HQ
Fulwood**

**M Nolan
Clerk to CFA**

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 26 September 2024

Statement of Accounts 2023/24

(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 2024. This includes the Authority's 25% share of the North West Fire Control accounts.

Recommendation(s)

The Committee is asked to approve and authorise the Chair and Director of Corporate Services to sign the Statement of Accounts and approve any non-material amendments post Committee.

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 2023/24.
- 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 2024 (referred to as 2023/24). 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 2023/24, 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 2024, 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

Legal Implications

As set out in the report.

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

2023/24

Lancashire Combined Fire Authority

Statement of Accounts 2023/24

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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 2023/24;
- 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 2024 (referred to as 2023/24). 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:

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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

Supporting our people to deliver the best possible services in Lancashire is a priority in our plans every year. Health and wellbeing and training and development have been the focus of attention in 2023/24, with our staff involved in shaping new and improved initiatives.

The introduction of peer support ambassadors, 32 volunteers within the Service who support people around them through wellbeing conversations, has opened up mental health conversations and is helping to remove the stigma of talking about it.

Our new Lift and Climb mentoring programme is pairing individuals across the Service in different roles and locations, so they can benefit from the guidance and experience of colleagues. The initiative was brought from idea to reality by a member of staff and is supporting people in operational and service support roles.

Adapting to changing risks in communities and finding new ways to make Lancashire safer is a continuous endeavour, and one which we are motivated and driven to succeed in doing. We have improved core services this year in addition to the new assets that signal advancements in how the whole sector operates.

The home fire safety check service is our long-established, main method of prevention designed to provide tailored interventions to people in their homes that reduce the risk of fires. In 2023/24 we delivered well over the target number of interventions and saw a reduction in the number of fires in the home and fewer casualties.

Our business fire safety check service is a newer initiative and part a wider programme to support employers and landlords to keep people safe in their buildings. We exceeded our target in this area too, with crews assuring compliance with fire safety laws in businesses like shops and offices, leaving specialist business safety advisors and inspectors to focus on more complex, high-risk premises.

Alongside these community focussed prevention and protection services, we continue to strengthen our emergency response capabilities through innovation and investment. We became the first service in the UK to introduce an underwater drone and sonar scanner for search and rescue operations. These not only improve how we respond to water-related incidents but also increases firefighter safety.

Dynamic cover software is changing the way we deploy resources across the county. Providing visual data on community risks and emergency cover in real-time, it enables us to position fire engines with more precision, improving emergency cover and reducing response times.

Our brand new incident command units were the result of extensive research and development to ensure that when they joined our fleet, they brought the best possible technology and systems for effective management of complex and large-scale emergencies. Software on board connects the command units to firefighters on the incident ground and the command support room at Service headquarters, sharing one operating picture to all.

At the heart of all that we achieve are people dedicated to making a difference in Lancashire's communities. In our staff survey, 94% of respondents said they felt that their work contributes to making Lancashire safer, testament to the collective approach we uphold. Together we will continue to learn, improve, and innovate so that we provide the best possible public services now and in the future.

The 2023/24 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:-

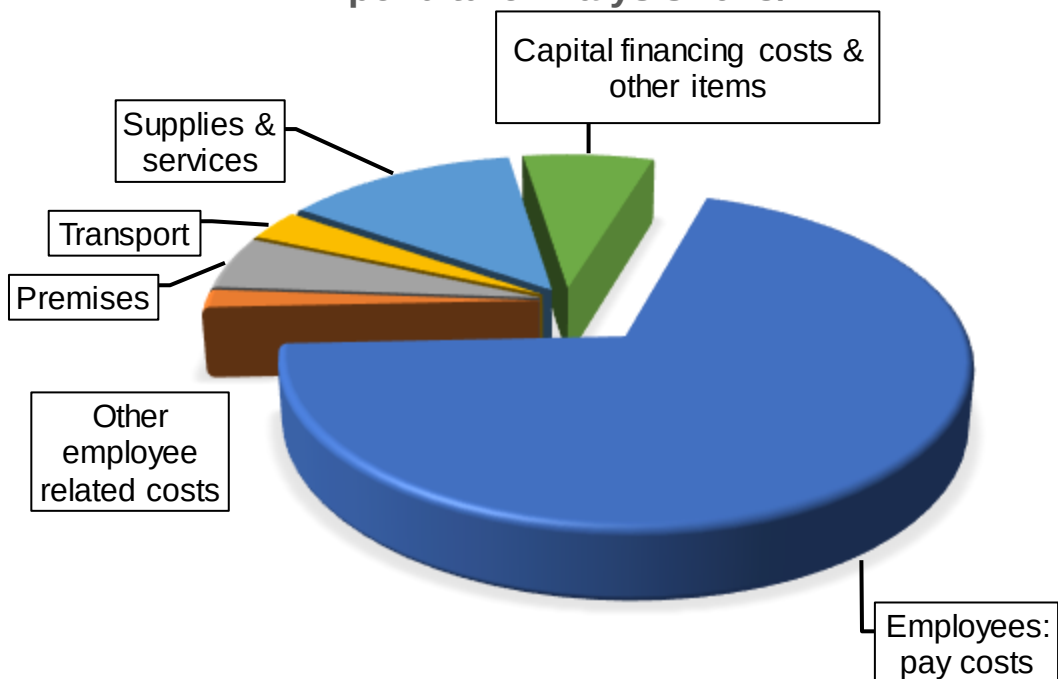
- deliver services as outlined in the Risk Management Plan and other plans;
- maintain future council tax increases at reasonable levels;
- continue to deliver efficiencies in line with targets;
- continue to invest in improvements in service delivery and facilities;
- set a robust budget that takes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

The Authority agreed a net revenue budget of £68.2m and a council tax of £82.27. 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.

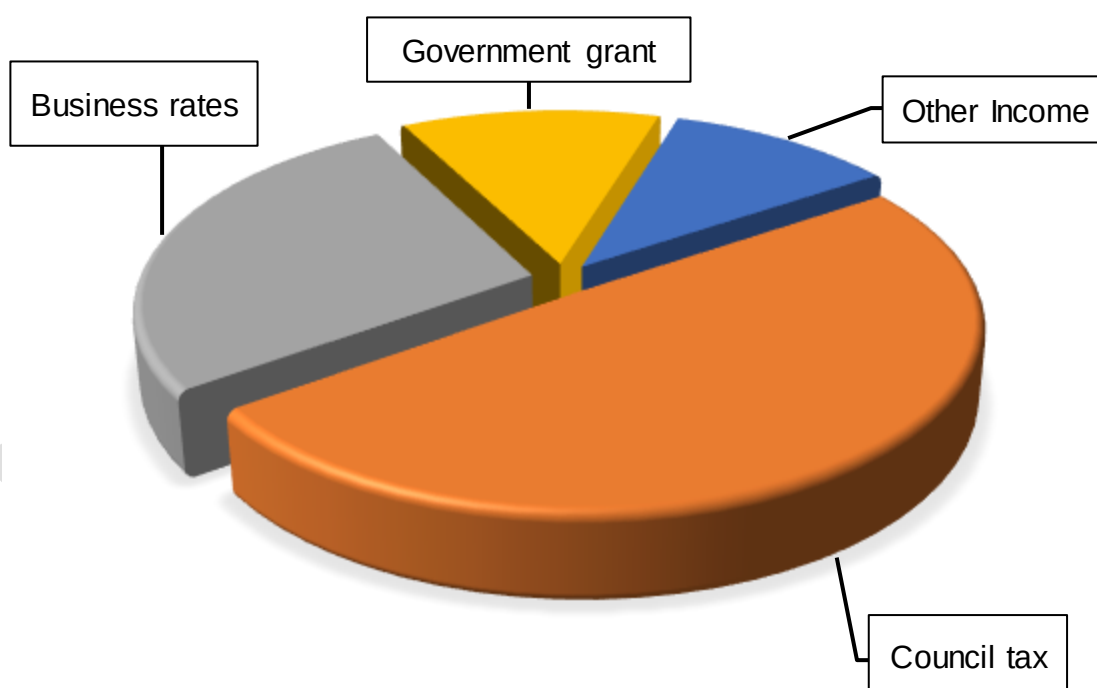
The net revenue position shows a small overspend of £0.2m.

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

Expenditure Analysis 2023/24



Income Analysis 2023/24



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	53,167	53,526	359
Other employee related costs	1,536	1,395	(141)
Premises	5,014	4,132	(882)
Transport	2,505	2,380	(125)
Supplies & services	9,507	9,959	452
Capital financing costs & other items	4,560	5,523	963
Total Expenditure	76,289	76,915	626
Other Income	(8,106)	(8,349)	(243)
Budget requirement	68,183	68,566	383

Funded by:			
Council tax	(37,951)	(37,951)	-
Business rates	(20,505)	(20,913)	(408)
Government grant	(9,727)	(9,482)	245
Sub-total	(68,183)	(68,346)	(163)
Net Overspend	-	220	220

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	220
Remove Capital Contributions and transfers to / from reserves	(4,459)
Adjustments for Capital Purposes	4,301
Net change for Pensions Adjustments	4,570
Other Differences	1,206
Deficit on provision of services	5,838
(Surplus)/Deficit on revaluation of fixed assets	(1,206)
Actuarial (gains)/losses on pension fund assets	(4,170)
Total Comprehensive Income and Expenditure	(461)

The Authority's general fund balance, that includes our share of North West FireControl, was £4.89m at the start of the year. Following a review of reserves during the year and the transfer of the overspend of £0.22m the reserve balance at the end of the year is £5.66m. The Authority's year-end balance excluding our share of North West FireControl is £4.99m (this is above the minimum level of reserves approved by the Authority at its budget meeting in 2024).

The Authority also holds an additional £8.44m of earmarked revenue reserves and £20.45m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy. 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 £6m, with the main contributors to this being set out below:-

Capital Expenditure	£m
Vehicles Fire Appliances, Command Units, Aerial Appliance and various Support Vehicles including vans and cars.	4.5
Operational Equipment RTC Rescue Equipment, Drone, Thermal Imaging Cameras, Appliance CCTV	0.7
ICT Equipment Command Support software, Firewall, Website, Station uninterruptable power supply	0.5
Buildings Dormitory facilities, Drill tower replacements & work at the fleet workshop	0.3
Total	6.0

The Balance Sheet shows that the Authority's Total Net Liabilities remained broadly unchanged at (£503.0m) compared to (£502.5m) in the previous year. The net liability 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 funded the Fire-fighters Pension Scheme is unfunded, there are no assets from which future liabilities will be paid, and hence the Authority's overall Fire-fighters pension liability of (£651.8m) is extremely large. If this liability was excluded the Authority's Total Net Assets would be £148.8m. The fire-fighters Pension Scheme liability remained largely unchanged with a small increase of £0.290m. The pension liability includes estimated costs in relation to the McCloud judgement.

Long-term assets have increased slightly in value to £127.8m from £126.6m, reflecting the investment in our asset base and the impact of revaluations.

Future Financial Plans

Due to economic uncertainty and nearing the end of the Government's terms in office the Spending Review was again reduced to a single year review, covering 2024/25, 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 changes to the Business Rates Retention Scheme, have been put on hold. The 2024/25 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 7.5%.

The Government allowed Fire Authorities to increase council tax levels by just 2.99%, compared to £5 the previous year (which is over 6% for LFRS), resulting in a council tax of £84.73 per band D property.

The Authority agreed a net revenue budget of £75.2m, 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 potential impact of the Fair Funding Review and potential changes to 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. 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 new buildings/stations, vehicle replacement, new operational equipment, and new IT requirements. This gives rise to a capital program of £73m 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 by the end of 2025/26, meaning that the remainder of the capital programme will need to be met from £31m of new borrowing. New borrowing will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision - MRP) charges and therefore efficiency savings of £2.5m will need to be delivered in the medium term, and this 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 levels of funding over and above those forecasted.
- Changes to the Business Rates Retention Scheme.
- Adverse changes because of the implementation of the Fair Funding Review.
- Reduction in Council Tax funding.
- Higher than anticipated inflation.
- Larger increases in pension costs.
- Significant changes to retirement profiles.
- Increase in demand led pressures.
- Higher insurance claims.

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 2023/24 (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 2024. It aligns with the principles of the 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 at [Publications | Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://publications.lancashirefireandrescue.org.uk/)).

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies,

aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2024 and up to the date of approval of the 2023/24 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 at [Community Risk Management Plan 2022-2027 | Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://lancsfireandrescue.org.uk/community-risk-management-plan-2022-2027).
- Lancashire Fire and Rescue Service has six core strategies: our People, Prevention, Protection, Response, Financial and Digital Strategies. Our prevention, protection and response activities address the fire and rescue related risks that are identified in those strategies and outline the measures in place and actions we take to make Lancashire safer. Each strategy is periodically reviewed and evaluated to ensure we are delivering against our outlined objectives and are doing so in the most efficient and effective way. Wherever necessary, changes will be made within each strategy to ensure we operate in line with our aim, priorities and values.
- 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 at [Strategic Assessment of Risk 2023-2024 | Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://lancsfireandrescue.org.uk/strategic-assessment-of-risk-2023-2024);
- 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 at [Annual Service Plan 2024-2025 | Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://lancsfireandrescue.org.uk/annual-service-plan-2024-2025);
- 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 also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance was approved by the Authority in April 2024, 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 the majority of 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) in 2022 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. The next inspection is due in 2025.
- 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 Northwest Ambulance Services. Collaboration group established with regular reports to Members.
- An Organisational 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 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. As part of the 2023/24 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 are set out below:
 - Financial Sustainability – “Significant weakness in arrangements identified in relation to the Authority's level and use of reserves to manage its financial position”. Note that this has now been addressed as part of setting the 2024/25 MTFS; the general reserve remains at c£1m above the minimum level of reserves for the duration of the five-year period of the MTFS.
 - Governance – “No significant weaknesses in arrangements identified”.
 - Improving economy, efficiency, and effectiveness - “No significant weaknesses in arrangements identified”.
- On 3 April 2024 Grant Thornton gave an unqualified opinion on the Authority's finance statements ended 31 March 2023.

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

Area for Improvement	Action to date	Complete/ On-going	Owner
A project to replace the existing Performance Management System will commence	Work has progressed on developing the KPI suite for Service level performance reporting and user acceptance testing is well underway. Two service level KPIs remain in development, and relevant communications and training delivery plans are being drafted ahead of rollout. Regarding the development of internal (front-end) PowerBi dashboards, the first dashboard for Finance Dept. is due to be released by the end of quarter one. Two further dashboards, one for service delivery and one for on call performance, are also in development.	Ongoing	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.	Improvements to the monthly budget monitoring process have been developed and tested and are being rolled out over the summer of 2024.	Ongoing	Head of Finance

Identify a mechanism to report to Members of the CFA our response to national recommendations made by the HMICFRS during the year.	Regular HMICFRS updates are provided to CFA members via a specific HMICFRS update paper to every planning committee. Members are also provided with a HMICFRS update on Strategy Day via a presentation, this includes an overview of the annual 'State of fire' report and any recommendations. Regarding the HMICFRS values and culture recommendations, progress is reported alongside LFRS equality action plan which is provided to CFA members.	Completed	Head of Service Improvement
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Significant governance issues

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

A number of improvement recommendations and one significant governance issue was identified as part of the external audit. The significant government issue relating to the Authority's level and use of reserves to manage its financial position was addressed in February 2024 as part of setting the Budget and Medium-Term Financial Strategy for 2024/25; the general reserve remains at £1m above the minimum level of reserves for the duration of the five-year period of the MTFS. The detail of this issue, improvement recommendations and management comments are included in the [Auditors Annual Report template - Fire and rescue - 22-23 \(lancsfireandrescue.org.uk\)](#). We are satisfied that the steps set out in the management comments will address the improvements identified in our governance arrangements.

Approved:

Nikki Hennessy

County Councillor N Hennessy,
Chairman,
Lancashire Combined Fire
Authority
[DATE]

Justin Johnston

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

Steven Brown

S Brown,
Treasurer,
Lancashire Combined Fire
Authority
05th July 2024

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 2024.

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
05th July 2024

Mark Clifford

Mark Clifford
Chair of Audit Committee
[Date]

Explanation of Financial Statements

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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (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.

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 (for example 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'.

Comprehensive Income and Expenditure Statement

		2023/24	2023/24	2023/24	2022/23	2022/23	2022/23
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Continuing operations:							
Service Delivery	1	23,174	(2,181)	20,993	33,911	(2,110)	31,801
Strategy and Planning	1	12,802	(736)	12,066	12,389	(847)	11,542
People and Development	1	2,081	-	2,081	2,334	-	2,334
Corporate Services	1	6,253	(66)	6,187	6,285	(65)	6,220
Fire-fighters Pensions	1	1,271	-	1,271	1,141	-	1,141
Overheads	1	8,814	(5,366)	3,448	6,757	(4,863)	1,894
Net Cost of Services	1	54,395	(8,349)	46,046	62,817	(7,885)	54,932
Gain)/Loss on disposal of non-current assets				32			(9)
Financing & investment income & expenditure							
Interest payable and similar charges	8			1,366			1,388
Pensions interest cost and expected return on pensions assets	15			28,750			23,246
Interest receivable and similar Income	8			(1,574)			(837)
Taxation and non-specific grant income							
Council tax				(37,826)			(34,968)
Revenue Support Grant				(9,727)			(9,642)
Non-domestic rates redistribution				(16,080)			(15,559)
Business rates S31 grant				(4,872)			(2,951)
Capital grant income				(277)			(253)
Deficit on the provision of services				5,838			15,347

		2023/24	2023/24	2023/24	2022/23	2022/23	2022/23
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Surplus on revaluation of non-current assets				(1,206)			(21,735)
Actuarial (gains)/losses on pensions assets and liabilities	18			(4,170)			(244,777)
Other comprehensive income & expenditure				(5,377)			(266,512)
Total Comprehensive Income and Expenditure				461			(251,165)

Movement in Reserves Statement 2023/24

	General fund £000	Earmarked reserves £000	Total General Fund Balance £000	Capital funding reserve £000	Capital grant unapplied reserve £000	Capital receipts reserve £000	Total usable reserves £000	Unusable reserves £000	Total Authority reserves £000
Balance at 31 March 2023 carried forwards	4,887	9,258	14,145	20,344	27	1,692	36,208	(538,699)	(502,491)

Movement in reserves during 2023/24									
Surplus/(Deficit) on provision of services	(5,838)	-	(5,838)	-	-	-	(5,838)	-	(5,838)
Other comprehensive income and expenditure	-	-	-	-	-	-	-	5,377	5,377
Total comprehensive income and expenditure	(5,838)	-	(5,838)	-	-	-	(5,838)	5,377	(461)

Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	5,865	-	5,865	-	-	-	5,865	(5,865)	-
Amortisation of intangible assets	188	-	188	-	-	-	188	(188)	-
Disposal of assets	32	-	32	-	-	16	48	(48)	-
Capital grants unapplied	27	-	27	-	(27)	-	-	-	-
Provision for the repayment of debt	(517)	-	(517)	-	-	-	(517)	517	-
Capital expenditure charged against General Fund Balance	(4,171)	(266)	(4,437)	(751)	-	(1,637)	(6,825)	6,825	-
Amount by which the Code and the statutory pension costs differ	4,554	-	4,554	-	-	-	4,554	(4,554)	-

Lancashire Combined Fire Authority
Statement of Accounts 2023/24

	General fund £000	Earmarked reserves £000	Total General Fund Balance £000	Capital funding reserve £000	Capital grant unapplied reserve £000	Capital receipts reserve £000	Total usable reserves £000	Unusable reserves £000	Total Authority reserves £000
Amount by which the Code and the statutory collection fund income differ	87	-	87	-	-	-	87	(87)	-
Adjustments total	6,066	(266)	5,800	(751)	(27)	(1,621)	3,401	(3,401)	-
Net increase/decrease before transfers to earmarked reserves	228	(266)	(38)	(751)	(27)	(1,621)	(1,686)	1,225	(461)
Transfers (to)/from earmarked reserves	550	(550)	-	-	-	-	-	-	-
Transfers (to)/from capital funding reserve	-	-	-	-	-	-	-	-	-
Transfers (to)/from accumulated absences adjustment account	(3)	-	(3)	-	-	-	(3)	3	-
Net tfr (to)/from earmarked reserves	547	(550)	(3)	-	-	-	(3)	3	-
Increase/(Decrease) in the year	775	(816)	(41)	-	(27)	(1,621)	(1,689)	1,228	(461)
Balance at 31 March 2024 carried forwards	5,662	8,442	14,104	19,593	-	71	33,768	(536,720)	(502,953)

Movement in Reserves Statement 2022/23

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

Lancashire Combined Fire Authority
Statement of Accounts 2023/24

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

Balance Sheet

	Notes	At 31 March 2024 £000	At 31 March 2023 £000
Long-Term Assets			
Property, Plant & Equipment	6	127,349	125,717
Intangible Assets	7	453	906
Long-Term Assets total		127,802	126,623
Current Assets			
Inventories		333	310
Short-Term Investments	8	23,500	15,000
Short-Term Debtors	9	18,604	16,763
Cash & Cash Equivalents	10	4,297	16,317
Current Assets total		46,734	48,390
Current Liabilities			
Other Short-Term Liabilities	8	(561)	(558)
Short-Term Creditors	11	(10,398)	(10,258)
Current Liabilities total		(10,959)	(10,816)
Long-Term Liabilities			
Provisions	12	(1,229)	(1,239)
Long-Term Borrowing	8	(2,000)	(2,000)
Other Long-Term Liabilities	13	(663,299)	(663,449)
Long-Term Liabilities total		(666,529)	(666,688)
Net Liabilities		(502,953)	(502,491)
Usable Reserves			
Revenue Reserves	16	(14,104)	(14,145)
Capital Funding Reserve	16	(19,593)	(20,344)
Capital Grants Unapplied Account	16	-	(27)
Usable Capital Receipts Reserve	16	(71)	(1,692)
Usable Reserves total	16	(33,768)	(36,208)

	Notes	At 31 March 2024 £000	At 31 March 2023 £000
Unusable Reserves			
Revaluation Reserve	18	(73,418)	(75,306)
Capital Adjustment Account	18	(42,616)	(38,281)
Pension Reserve	13/15/18	651,920	651,536
Collection Fund Adjustment Account	18	(120)	(207)
Accumulated Absences Adjustment Account	18	954	957
Unusable Reserves total	18	536,720	538,699
Total Reserves		502,953	502,491

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 2024 and its income and expenditure for the year then ended.

Steven Brown

Steven Brown CGMA
Treasurer to the Combined Fire
Authority
05th July 2024

Mark Clifford

Mark Clifford
Chair of Audit Committee
[Date]

Cash Flow Statement

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

	Notes	2023/24 £000	2023/24 £000	2022/23 £000	2022/23 £000
Net deficit on the provision of services			(5,838)		(15,347)
Adjustments to net deficit on the provision of services for non-cash movements	23		8,914		15,940
Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities			578		699
Net cash flows from Operating Activities			3,654		1,292

Investing activities					
Purchase of property plant and equipment & other capital spend	6/7	(6,074)		(1,680)	
(Increase)/Decrease in long-term deposits		-		5,000	
(Increase)/Decrease in short-term deposits		(8,500)		(5,000)	
Receipts from investing activities	24	763		667	
Net cash flows from investing activities			(13,810)		(1,013)

Financing activities					
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(522)		(492)	
Repayment of long-term borrowing		-		-	
Payments for financing activities	24	(1,341)		(1,366)	
Net cash flows from financing activities			(1,863)		(1,858)
Net increase/(decrease) in cash and cash equivalents			(12,020)		(1,579)
Cash and cash equivalents at the beginning of the reporting period	10		16,317		17,896
Cash and cash equivalents at the end of the reporting period	10		4,297		16,317

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 (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.

2023/24	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (Note 1a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (Note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	43,207	-	43,207	(22,214)	20,993
Strategy and Planning	13,810	-	13,810	(1,744)	12,066
People and Development	1,939	-	1,939	142	2,081
Corporate Services	6,678	-	6,678	(491)	6,187
Firefighters Pensions	1,271	-	1,271	-	1,271
Overheads	1,661	-	1,661	1,787	3,448
Net cost of Services	68,566	-	68,566	(22,520)	46,046
Other income and expenditure		-	(68,346)	28,137	(40,209)
(Surplus)/Deficit on provision of services		-	220	5,618	5,838

Opening General Fund balance	(4,887)
Surplus on provision of services	220
NWFC recognise 25% surplus on provision of services	(160)
Transfer from earmarked reserves	(835)
Closing General Fund balance	(5,662)

2022/23	As reported for resource management £000	Adjustment to arrive at the amount chargeable to the General Fund (Note 1a) £000	Net chargeable to the General Fund £000	Adjustments between the Funding and Accounting basis (Note 1a) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Delivery	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)/Deficit 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)

1a Note to the Expenditure and Funding Analysis

2023/24 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves £000	Transfer to/(from) Capital Reserves £000	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	Total adjustment between funding and accounting basis £000
Service Delivery	-	-	-	-	(22,351)	137	(22,214)
Strategy and Planning	-	-	-	-	(1,798)	55	(1,744)
People and Development	-	-	-	-	168	(26)	142
Corporate Services	-	-	-	-	(223)	(268)	(491)
Firefighters Pensions	-	-	-	-	-	-	-
Overheads	-	-	-	4,301	24	(2,538)	1,787
Net cost of Services	-	-	-	4,301	(24,180)	(2,640)	(22,520)
Other income and expenditure	-	-	-	-	28,750	(613)	28,137
Total	-	-	-	4,301	4,570	(3,253)	5,618

2022/23 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Transfer to/(from) Earmarked Reserves £000	Transfer to/(from) Capital Reserves £000	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (1) £000	Net change for Pensions Adjustments (2) £000	Other Differences (3) £000	Total adjustment between funding and accounting basis £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

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 2023/24 Fire Authority costs amounted to £0.376m (2022/23: £0.332m), analysed as follows:

	2023/24 £000	2022/23 £000
Members allowances/expenses	152	140
Statutory officers	118	123
Others	106	69
Total	376	332

3 Employees Emoluments

Details of the Authority's employees, out of an estimated 1,168 employees, who have received pay and benefits of more than £50,000 are:

	2023/24 No.	2022/23 No.
£75,000 - £79,999	3	2
£70,000 - £74,999	11	1
£65,000 - £69,999	13	8
£60,000 - £64,999	39	20
£55,000 - £59,999	40	51
£50,000 - £54,999	73	65
Total	179	147

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.

2023/24 Post holder information (post title and name)	Salary £000	Allowances £000	Total Remuneration excluding pension contributions £000	Pension contributions accrued at the standard employer rate for all senior officers £000	Total Remuneration including pension contributions £000
Chief Fire Officer – Justin Johnston	178,022	-	178,022	51,270	229,292
Director of Service Delivery – John Charters	137,699	-	137,699	39,657	177,356
Director of Strategy & Planning – Steve Healey	165,708	-	165,708	47,724	213,432
Director of People & Development – Robert Warren	126,351	-	126,351	21,606	147,957
Director of Corporate Services – Steven Brown	94,361	-	94,361	16,136	110,497
Total	702,141	-	702,141	176,393	878,534

2022/23 Post holder information (post title and name)	Salary £000	Allowances £000	Total Remuneration excluding pension contributions £000	Pension contributions accrued at the standard employer rate for all senior officers £000	Total Remuneration including pension contributions £000
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

Exit Packages

There was one compulsory redundancy during 2023/24 which was in the banding of £40,001-£60,000. There were no exit packages in 2022/23.

4 External Auditors Fees

In 2023/24, the Fire Authority paid a total of £0.106m to its external auditors, Grant Thornton (2022/23: £0.044m), as follows:

	2023/24 £000	2022/23 £000
Audit fees – Grant Thornton	106	44

The 2023/24 audit fee charge includes additional charges of £8,300 relating to 2022/23.

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 most of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (for example 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 2023/24 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 £1.030m 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

Officers of the Authority are required to declare interests in related parties on an annual basis in respect of the financial statements. There were no reported material related party transactions regarding 2023/24. In 2022/23 one Senior Officer declared a family relationship with a Senior Officer who worked across two of our major billing authorities. Although there are significant transactions between the parties in relation to business rates (£0.461m received from the billing authorities), and council tax (£5.772m received from the billing 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 (new expenditure) are shown at cost.

Movements in Property, Plant and Equipment analysed into their different categories for 2023/24 are:

	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost or valuation				
At 1 April 2023	81,875	36,432	24,708	143,015
Adjustment to opening balance	-	-	714	714
Additions	228	27	5,626	5,881
Disposals/De-recognitions	-	-	(1,833)	(1,833)
Downward revaluation recognised in the Revaluation Reserve	(3,870)	(365)	-	(4,235)
Impairment losses recognised in the CIES Provision of Services	(133)	-	-	(133)
Revaluations	1,142	175	-	1,318
As at 31 March 2024	79,242	36,270	29,215	144,727

Depreciation and impairments				
At 1 April 2023	20	-	(17,318)	(17,298)
Adjustment to opening balance	-	-	(257)	(257)
Depreciation charge for 2023/24	(3,104)	(1,040)	(1,589)	(5,732)
Disposals/De-recognitions	-	-	1,785	1,785
Revaluations	3,084	1,040	-	4,123
As at 31 March 2024	-	-	(17,378)	(17,378)
Balance sheet at 31 March 2024	79,242	36,270	11,837	127,349
Balance sheet at 31 March 2023	81,895	36,432	7,390	125,717

	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
Nature of asset holding				
Owned	79,242	-	11,837	91,079
Finance lease	-	-	-	-
PFI	-	36,270	-	36,270
Total	79,242	36,270	11,837	127,349

Historical cost				
Carried at historical cost	-	-	11,837	11,837

Valued at current value as at:				
31 March 2024	79,242	36,270	-	115,512
31 March 2010	-	-	-	-
Total cost or valuation	79,242	36,270	11,837	127,349

The vehicle, plant & equipment disposal/de-recognition figures in the above table, include 2022/23 disposals and de-recognitions not previously recognised.

On 31 March 2024 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 £5.441m (2022/23: net gain of £22.283m).

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 2024-25 financial year, in line with CIPFA Code of Practice.

The comparative figures detailing the movement during 2022/23:

	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/De-recognitions	-	-	(32)	(32)
Downward revaluation 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

	Other Land & Buildings £000	PFI Assets – land & buildings £000	Vehicles, Plant & Equipment £000	Total Property, Plant & Equipment £000
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/De-recognitions	-	-	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 2022	81,895	36,432	-	118,327
31 March 2010	-	-	-	-
Total cost or valuation	81,895	36,432	7,390	125,717

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 2023/24 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.

	2023/24 £000	2022/23 £000
Opening Capital Financing Requirement	12,283	12,770
Adjustment for prior year NWFC Capital Financing Requirement	751	-

	2023/24 £000	2022/23 £000
Capital investment:		
Property, Plant & Equipment*	5,881	1,204
Intangible assets*	193	477

Sources of Finance:		
Capital Reserves	-	-
Revenue contributions to capital*	(4,171)	(1,680)
Funding from earmarked reserves	(266)	-
Capital receipts	(1,637)	-
MRP	(517)	(487)
Closing Capital Financing Requirement	12,517	12,283

Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(517)	(487)
Assets acquired under finance lease	-	-
Total	(517)	(487)

* Includes NWFC balances.

Details of Assets Held

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

	2023/24 No.	2022/23 No.
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 2024 is £1.554m (2022/23: £4.704m).

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.

	2023/24 £000	2022/23 £000
Cost or valuation		
At 1 April	2,899	2,422
Adjustment to opening balance	(714)	-
Additions	193	477
Disposals/De-recognitions	(469)	
As at 31 March	1,909	2,899

Amortisation & impairment		
At 1 April	(1,993)	(1,899)
Adjustment to opening balance	257	-
Amortisation charge for the year	(188)	(94)
Disposals/De-recognitions	469	
As at 31 March	(1,456)	(1,993)
Balance sheet at 31 March 2024	453	906
Balance sheet at 31 March 2023	906	523

The disposal/de-recognition figures in the above table, include 2022/23 de-recognitions not previously recognised.

8 Financial Instruments

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

Financial assets – balances

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

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

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

	Long-Term		Current	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Investments	-	-	23,500	15,000
Cash & cash equivalents	-	-	4,297	16,317
Other trade receivables	-	-	1,286	1,555

	Long-Term		Current	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Assets not defined as financial instruments	-	-	17,651	15,518

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 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Borrowings	2,000	2,000	22	22
PFI and finance lease arrangements	11,379	11,913	533	522
Trade payables	-	-	3,778	3,891
Liabilities not defined as financial instruments	653,150	652,775	6,626	6,381

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:

	2023/24 £000	2022/23 £000
Financial Liabilities at amortised cost		
Interest payable relating to PFI	1,269	1,294
Interest payable relating to Borrowing	95	90
Interest payable relating to finance leases	2	4
Total expense in Deficit on the Provision of Services	1,366	1,388
Financial Assets at amortised cost		
Interest income	(1,574)	(837)
Total income in Deficit on the Provision of Services	(1,574)	(837)
Net (gain)/loss for the year	(208)	551

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 2024 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 2024		31 March 2023	
	Amortised Cost £000	Fair Value £000	Amortised Cost £000	Fair Value £000
Loans from the Public Works Loan Board	2,000	1,930	2,000	1,915
PFI Liabilities	11,339	14,123	12,351	13,509

Without the addition of accrued interest, the actual Public Works Loan Board debt outstanding at 31 March 2024 is £2.000m (2022/23: £2.000m) and it is due for repayment as shown in the following table:

	2023/24 £000	2022/23 £000
Over 10 years	2,000	2,000
Total	2,000	2,000

9 Debtors

	2023/24 £000	2022/23 £000
Trade debtors	2,123	2,005
VAT	3,862	791
Local taxation debtors	4,303	4,325
Other debtors	8,316	9,642
Total	18,604	16,763

10 Cash & Cash Equivalents

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

	2023/24 £000	2022/23 £000
Cash held by the Authority	53	67
Cash held by North West FireControl (25% share)	59	89
Call account balance	4,185	16,161
Total	4,297	16,317

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 2024 equal to their nominal value.

11 Creditors

	2023/24 £000	2022/23 £000
Goods and services creditors	3,052	2,676
PAYE/NI	1,219	1,499
VAT	572	27
Local taxation creditors	3,613	3,457
Other creditors	1,942	2,599
Total	10,398	10,258

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	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Balance at 1 April	579	593	660	854	1,239	1,447
Amounts utilised	(116)	(89)	-	-	(116)	(89)
Unused amounts reversed	(135)	(130)	(145)	(229)	(280)	(359)
Additional provision	330	205	56	35	386	240
Balance at 31 March	658	579	571	660	1,229	1,239

13 Other Long-Term Liabilities

Other long-term liabilities comprise the following:

	2023/24 £000	2022/23 £000
Finance Lease Liability	-	-
PFI Liability (see Note 14)	11,339	11,868
PFI Contractor Loan (see Note 14)	40	45
Pension Liability (see Note 15)	651,920	651,536
Total	663,299	663,449

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 2024 the total outstanding loan was £0.045m (2022/23: £0.050m).

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 2024 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000	Government Subsidy £000
Payable in 1 year	969	528	1,234	2,732	1,734
Payable within 2-5 years	4,149	2,722	4,397	11,268	6,935
Payable within 6- 10 years	5,312	4,553	3,828	13,692	8,186
Payable within 11- 15 years	3,237	4,065	1,500	8,802	5,371
Payable within 16- 20 years	-	-	-	-	-
Total	13,667	11,868	10,959	36,494	22,225

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:

	2023/24 £000	2022/23 £000
Balance outstanding at the start of the year	12,351	12,795
Payments during the year	(483)	(444)
Balance outstanding at year end	11,868	12,351

15 Net 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	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current service cost	1,414	2,900	3,670	13,640
• Administrative expenses	46	41	-	-
• Past service cost	-	-	-	-
Cost of Services total	1,460	2,941	3,670	13,640

Financing and Investment Income and Expenditure:				
• Interest cost	2,785	2,343	29,710	23,040
• Interest on scheme assets	(3,745)	(2,137)	-	-
Financing total	(960)	206	29,710	23,040
Total post-employment benefit charged to the deficit on provision of services	500	3,147	33,380	36,680

Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial (gains) and losses	(50)	(10,297)	(4,120)	(234,480)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	450	(7,150)	29,260	(197,800)

	Local Government Pension Scheme		Uniformed Firefighters' Pension Scheme	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Movement in reserves statement				
Reversal of net charges made to the deficit on provision of services in accordance with the code	(144)	(2,799)	(4,410)	(10,080)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	(356)	(348)	-	-
Net retirement benefits payable to pensioners	-	-	(28,970)	(26,600)

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

Current service cost – the increase in liabilities because 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 £19.508m (2022/23: £17.794m) in addition to these, which can be seen in the Firefighters Pension Fund Account on page 70.

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 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Opening balance at 1 April	(58,483)	(84,201)	(651,536)	(875,936)
Current service cost	(1,414)	(2,900)	(3,490)	(13,470)
Interest on liabilities	(2,785)	(2,343)	(29,710)	(23,040)
Contributions by scheme participants	(549)	(492)	(3,830)	(3,560)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Remeasurements (liabilities):				
Experience (gain)/loss	(536)	(6,669)	(8,420)	(49,400)
Gain/(Loss) on financial assumptions	1,186	34,604	12,540	259,250
Gain/(Loss) on demographic assumptions	750	1,885	-	24,630
Benefits/transfers paid	1,516	1,633	32,620	29,990
Past service cost	-	-	-	-
Closing balance at 31 March	(60,315)	(58,483)	(651,826)	(651,536)

Reconciliation of the fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters' Pension Scheme	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Opening balance at 1 April	78,360	76,703	-	-
Interest on scheme assets	3,745	2,137	-	-
Remeasurements (assets)	2,665	354	-	-
Administrative expenses	(46)	(41)	-	-
Employer contributions	356	348	28,790	26,430
Contributions by scheme participants	549	492	3,830	3,560
Benefits paid	(1,516)	(1,633)	(32,620)	(29,990)
Closing balance at 31 March	84,113	78,360	-	-

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 £6.203m (2022/23: gain of £2.305m).

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.

	2023/24 £000	2022/23 £000
Gross defined benefit asset/(liability)	23,798	19,877
Authority's asset ceiling		-
Adjustment for asset ceiling	(23,892)	(19,877)
Net defined benefit asset/(liability)	(94)	-

Scheme history

	2023/24 £000	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	(60,315)	(58,483)	(84,201)	(83,631)	(69,102)
Firefighters Pension Scheme	(651,826)	(651,536)	(875,936)	(872,386)	(805,506)
Fair value of assets in LGPS	84,113	78,360	76,703	68,314	61,932

Surplus/(Deficit) in the scheme:

Local Government Pension Scheme (LGPS)	23,798	19,877	(7,498)	(15,318)	(7,170)
Firefighters Pension Scheme	(651,826)	(651,536)	(875,936)	(872,386)	(805,506)

Pension Asset Ceiling Adjustment:

Local Government Pension Scheme (LGPS)	(23,892)	(19,877)	-	-	-
Firefighters Pension Scheme	-	-	-	-	-
Total	(651,920)	(651,536)	(883,434)	(887,704)	(812,676)

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, £651,920m, 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	1,231	10,577	11,808

*LGPS contributions shown are gross of surplus recovery referred above.

** Firefighter contributions are part funded from government top up 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 2023, 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 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	19.8	21.2	21.1	21.5	21.3	21.2
Women	23.7	23.8	23.5	23.8	21.3	21.2
Longevity at 65 for future pensioners:						
Men	21.4	21.2	22.4	22.8	22.9	21.2
Women	25.3	25.5	25.3	25.6	22.9	21.2
Rate of CPI inflation	2.75%	3.15%	2.70%	2.70%	2.60%	2.60%

Rate of increase in salaries	3.45%	3.65%	4.20%	4.20%	3.85%	3.85%
Rate of increase in pensions	2.75%	2.95%	2.80%	2.80%	2.60%	2.60%
Rate for discounting scheme liabilities	4.85%	4.75%	4.80%	4.80%	4.75%	4.65%
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:

		Assets at 31 March 2024		Assets at 31 March 2023	
	Quoted in active market	Fair Value £000	%	Fair Value £000	%
Equities	Y	1,873	2.2	1,645	2.1
Bonds	Y	1,349	1.6	1,325	1.7
Property	N	1,463	1.7	1,553	2.0
Cash/Liquidity	N	1,560	1.9	695	0.9
Other	N	77,867	92.6	73,142	93.3
Total		84,113	100.0	78,360	100.0

16 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statements, on pages 20 and 21.

	2023/24 £000	2023/24 £000	2022/23 £000	2022/23 £000
Revenue Reserves:				
General Fund		(5,662)		(4,887)
Earmarked Reserves	(3,285)		(4,101)	
PFI Equalisation Reserve	(5,157)		(5,157)	
Total Earmarked Reserves		(8,442)		(9,258)
Total Revenue Reserves		(14,104)		(14,145)
Capital Reserves:				
Capital Funding Reserve		(19,593)		(20,344)
Capital Grants Unapplied		-		(27)
Usable Capital Receipts		(71)		(1,692)
Total Usable Reserves		(33,768)		(36,208)

17 Transfers (to)/from Earmarked Reserves

	Balance at 31 March 2022 £000	Transfers in 2022/23 £000	Transfers out 2022/23 £000	Balance at 31 March 2023 £000	Transfers in 2023/24 £000	Transfers out 2023/24 £000	Balance at 31 March 2024 £000
General fund	(6,536)	(24)	1673	(4,887)	(995)	220	(5,662)
Earmarked Reserves	(4,675)	(1,207)	1,781	(4,101)	(1,023)	1,839	(3,285)
PFI Equalisation Reserves	(5,067)	(90)	-	(5,157)	-	-	(5,157)
Total Earmarked Reserves	(9,742)	(1,297)	1,781	(9,258)	(1,023)	1,839	(8,442)
Capital funding reserve	(17,672)	(4,300)	1,628	(20,344)	(4,171)	4,922	(19,593)
Capital grants unapplied	(40)	-	13	(27)	-	27	-
Usable capital receipts	(1,683)	(9)	-	(1,692)	(16)	1,637	(71)
Total Usable Reserves	(35,673)	(5,630)	5,095	(36,208)	(6,205)	7,894	(33,768)

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:

	2023/24 £000	2022/23 £000
Revaluation Reserve	(73,418)	(75,306)
Capital Adjustment Account	(42,616)	(38,281)
Pensions Reserve	651,920	651,536
Collection Fund Adjustment Account	(120)	(207)
Accumulated Absences Adjustment Account	954	957
Total Unusable Reserves	536,720	538,699

Revaluation Reserve

	2023/24 £000	2022/23 £000
Balance at 1 April	(75,306)	(56,221)
Upward revaluation of assets	(5,441)	(22,283)
Downward revaluation of assets and impairment losses not charged to Net cost of Services	4,235	548
Difference between fair value depreciation and historical cost depreciation	3,095	2,649
Amount written off to the Capital Adjustment Account	-	-
Total Revaluation Reserve	(73,418)	(75,306)

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.

	2023/24 £000	2023/24 £000	2022/23 £000	2022/23 £000
Balance at 1 April		(38,281)		(39,469)

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	2,637		2,938	
• Revaluation losses on Property, Plant & Equipment	133		271	
• Amortisation of intangible	188		94	
Sub-total		2,958		3,303
Disposal of assets via the Comprehensive Income & Expenditure Statement		48		-
Adjusting amounts written out of the Revaluation Reserve		-		-
Net amount written out of the cost of non-current assets consumed in the year		3,006		3,303

Capital financing applied in the year:				
• Prior year financing of NWFC capital assets	(751)		-	
• Statutory provision for financing of capital investment charged against General Fund	(517)		(487)	
• Use of capital reserves to fund expenditure	(1,637)		-	
• Capital expenditure charged to General Fund Balance	(4,437)		(1,628)	
Sub-total		(6,591)		(2,115)
Balance as at 31 March		(41,866)		(38,281)

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	651,536	883,434
Actuarial (gains) or losses on pensions assets and liabilities	(4,170)	(244,777)
Reversal of items relating to retirement benefits debited or credited to Net Cost of Services in the Comprehensive Income & Expenditure Statement	33,880	39,827
Net payments to pensioners payable in the year	(28,970)	(26,600)
Employers pension contributions	(356)	(348)
Total	651,920	651,536

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	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Balance at 1 April	5	(139)	(212)	915	(207)	776
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	126	144	-	-	126	144
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	-	-	(38)	(1,127)	(38)	(1,127)
Balance at 31 March	130	5	(249)	(212)	(120)	(207)

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	957	839
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	-3	118
Balance at 31 March	954	957

19 Contingent Liability

There are no contingent liabilities.

20 Post Balance Sheet Events

As at the date of signing of the draft accounts, 05th July 2024, 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 £0.174m of the £0.375m 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:

	2023/24 £000	2022/23 £000
0 to 30 days	201	298
31 to 60 days	170	23
61 to 90 days	1	154
91 to 180 days	0	1
Over 180 days	3	231
Total	375	707

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 2024:

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 £17.7 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 £177,000 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 2023/24 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 2024 £000	Year ended 31 March 2023 £000
Total assets less Current Liabilities	356	351
Net assets*	356	638
Surplus/(deficit) Before Taxation	85	(627)
Surplus/(deficit) After Taxation	84	(634)
Debtor Balance (LFRS)	-	10
Creditor Balance (LFRS)	-	-
Invoices raised by NW FireControl to LFRS	1,649	1,424
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 31/12/2024 for the final audited 2023/24 accounts.

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

	2023/24 £000	2022/23 £000
Depreciation	5,732	5,588
Impairment & downwards valuations	133	271
Amortisation	188	94
Increase/(decrease) in provisions	(10)	(207)
Increase/(decrease) in creditors	131	906
(Increase)/decrease in debtors	(1,840)	(3,783)
(Increase)/decrease in stock	(23)	(53)
(Increase)/decrease in LGPS pension liability	-	216
Movement in pension liability	4,554	12,879
NWFC Capital Grants Unapplied Adj	-	29
NBV of fixed assets sold	48	-
Total	8,914	15,940

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

	2023/24 £000	2022/23 £000
Interest received	(763)	(667)
Interest paid	1,341	1,366

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 2023	13,867	484	33	14,383

Cash flows:				
Repayment	(528)	45	(33)	(517)
Proceeds	-	-	-	-

Non-cash:				
Acquisition	-	-	-	-
31 March 2024	13,339	528	-	13,868

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 2024 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 £127m (2022/23: £126m)	The uncertainty in terms of the market evidence used to form opinions of value, continues. Shortly after the global pandemic, the war in Ukraine and resultant energy crisis has impacted on materials cost coupled with the void in the market for tradesmen because of Brexit, that has led to slippages in most construction targets.	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.
Pension Liability	Estimation of the gross liability to pay pensions depends on several complex judgements relating to the	It is estimated that, for both pension schemes combined, a 0.5% increase in the discount

Item	Uncertainties	Effect if actual results differ from assumptions
Carrying value £628m (2022/23: £632m)	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.	rate would decrease the liability by £48m (2022/23: £47m), a 1% increase in pay growth would increase the liability by £13m (2022/23: £13m). In addition, a 1-year expectancy would increase the liability by £17m (2022/23: £17m). increase in the assumed life
LGPS Asset Ceiling Gross defined benefit asset £23.8m (2022/23: £19.9m) Net defined benefit asset £- (2022/23: £-)	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 not lead to the Authority having a pension asset ceiling above £0.

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:

	2023/24 £000	2022/23 £000
Expenditure		
Employee benefits expenses	31,622	42,073
Other services expenses	16,720	13,980
Support service recharges	-	-
Depreciation, amortisation, and impairment	6,053	5,953
Interest payments	30,115	24,634
(Gain)/loss on disposal of fixed assets	32	(9)
Total expenditure	84,542	86,631
Income		
Fees, charges, and other service income	(3,832)	(2,542)
Interest and investment income	-	-
Income from council tax, business rates and revenue support grant	(63,910)	(59,611)
Government grants and contributions	(10,963)	(9,131)
Total Income	(78,705)	(71,284)

Surplus on the provision of services	5,838	15,347
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28 Significant Judgements

Joint Operation – North West FireControl

An assessment for Group Accounting requirements has taken place during 2023/24 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 2023/24 financial year and its position at the year end of 31 March 2024. 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 – 2023/24, 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 (for example 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, for example 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 2023/24, 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 (it 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 by the fund's investment assets.

In calculating the liability for 2023/24, the actuary based the valuation on a roll forwards approach.

In valuing the pension scheme assets for 2023/24, 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 2024, 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 all assets with a finite useful life by the systematic allocation of the depreciable amounts over the period for which the asset is available for use by the authority.

- 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.

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 – 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.

I 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, 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 deferred to 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. There are deemed to be no assets affected by the standard.

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	2023/24 £000	2022/23 £000
Income to the fund		
Contributions receivable:		
- From employer		
- contributions in relation to pensionable pay	(8,012)	(7,631)
- other contributions	(216)	(166)
- Members contributions	(3,723)	(3,448)

Transfers in:		
- Individual transfers from other schemes	(254)	(182)
Total Income to the Fund	(12,205)	(11,427)

Spending by the fund		
Benefits payable:		
- Pension payments	25,508	23,170
- Commutations of pensions and lump-sum retirement benefits	5,923	6,041

Transfers out:		
- Individual transfers out to other schemes	282	-
- Refunds of contributions	-	-
Total Spending by the fund	31,713	29,211
Net amount receivable for the year before top up grant receivable from central government	19,508	17,784
Top up grant receivable from central government	(19,508)	(17,784)
Net amount receivable for the year	-	-

Net Assets Statement	2023/24 £000	2022/23 £000
Net current assets and liabilities:		
- pensions top up grant receivable from central government	(5,541)	(5,996)
- other current assets and liabilities (other than liabilities and other than benefits in the future)	5,541	5,996
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 2024 the Authority is owed £5.541m (2022/23: £5.996m) 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. Two ill health retirement was recognised during 2023/24, and one in 2022/23.

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 (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 for example 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, 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.

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 26 September 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 approve the Chair of the Audit Committee to sign the letter of representation.

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.

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
Date:

[Date - To be dated the same date as the date of the audit opinion]

Dear Grant Thornton UK LLP

**LANCASHIRE COMBINED FIRE AUTHORITY
FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2024**

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 2024 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 2023/24 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 2023/24 ("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.

Headquarters

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

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud. 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 and pension assets and liabilities valuations. 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.
- v. 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.
- vi. Except as disclosed in the financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Authority has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. 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.
- viii. 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.
- ix. 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.
- x. 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.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. 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 :
 - 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

- the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- 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

- xiv. 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.

Information Provided

- xv. We have provided you with:
- 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;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. 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.
- xix. 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:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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

- xxiv. 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

- xxv. 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 meeting on 26th September 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 26 September 2024

External Audit – Audit Findings Report

(Appendix 1 refers)

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 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 (ISA260) Report for Lancashire Combined Fire Authority

Year ended 31 March 2024





**Private and
Confidential**

Lancashire Combined Fire Authority
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Fulwood
Preston
PR2 3LH

Grant Thornton UK LLP
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Audit Findings for Lancashire Combined Fire Authority for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

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

Georgia Jones

Partner/Director
For Grant Thornton UK LLP

Contents



Your key Grant Thornton team members are:

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Section

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Appendices

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you 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 Authority 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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

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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), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July to September 2024 as planned. Our findings are summarised on pages 9 to 12. We have identified one adjustment to the Balance sheet and several disclosure amendments. These have no impact on the level of the Authority's useable reserves. Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix G, subject to the following outstanding matters;

- Completion of testing for creditor, grant income, employee benefits expenses, pension liabilities, cash and bank balance, land and building revaluation, journals, and financial instrument.
- Verify the responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability.
- Final review of the audit file by the Engagement Lead and Audit Manager, in particular the areas set out above. Regular reviews of the file have been taken place throughout the audit.
- Update post balance sheet events review to the date of signing.
- Receipt of management representation letter see appendix F; and
- Review of the final set of financial statements

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 complete. The outcome of our VFM work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR).

We anticipate signing your accounts shortly after the audit committee on 26 September 2024.

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 Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

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

Our work on the Authority's value for money (VFM) arrangements will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

We have completed our VFM work, which is summarised on page 21, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. No significant weakness have been identified. We have identified 10 improvement recommendations, which are set out in our AAR, on the same agenda as this report.

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

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

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.

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;
- 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 subject to outstanding queries being resolved as detailed in page 4, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 September 2024,.

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



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.

We have revised the materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Lancashire Combined Fire Authority.

	Planning Amount (£)	Updated Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,256,340	1,087,900	The updated materiality equates to 2% of your gross operating expenditure for the 2023/24 year and is considered the level at which users of the financial statements would want to be informed in the context of overall expenditure. We reduced the materiality level from the planning stage to reflect the decrease in gross operating expenditure by £8,422k (13.4%) from 2022/23 to 2023/24. This benchmark is considered the most appropriate, as we believe users of the financial statements are primarily concerned with how the Authority has expended its revenue and other funding.
Performance materiality	879,438	761,530	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	62,800	54,400	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.
Materiality for Remuneration disclosures	10,000	10,000	Due to the sensitive nature of senior officer remuneration and the keen interest by users of the financial statements, we set a lower materiality level for this area.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue/ expenditure 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.	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 2023/24. • Obtained a listing of payments made and received from April to June 2024 to ensure they have been charged to the appropriate year. • Obtained a listing of invoices issued and received from April to June 2024 to ensure they been accounted to the appropriate year. Our substantive income and expenditure testing has not identified any material errors that we are required to bring to your attention.

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 places 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 unusual 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 41 higher risk or unusual journals that warranted detailed audit testing. Our audit work to date has not identified any significant issues in respect of management override of controls. The work is subject to final review by the Engagement Lead. Our commentary on key accounting estimates is set out on pages 13 to 14. We found accounting policies to be appropriate.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
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 £115.512m 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.	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 25 asset valuations, including individually large assets or those with movements outside of our expectations. In completing our work, we examined the accounting entries, data and assumptions used and relevant asset indices. Our audit work to date has not identified any material 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

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Risks identified in our Audit Plan

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 is considered a significant estimate due to the size of the numbers involved (£651.920m in the Authority's balance sheet) 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). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. However, 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/surplus. 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.

Commentary

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.

The pension fund net liability of £651.920m is made up of the Firefighters pension scheme (FFPS) net liability of £651.826m and Local Government pension scheme net liability of £0.094m. For the LGPS pension scheme, the Authority had considered the potential impact of IFRIC 14 before audit challenge. The Authority obtained additional information relating to accounting surplus from its actuary which concluded the asset ceiling as £nil. The balance of £0.094m represented the unfunded liabilities only.

Our audit work is ongoing in respect of valuation of pension fund net liability. We cannot conclude our audit until we have received and considered the IAS19 letter from the Pension fund auditor.

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
Land and Building valuations – £115.512m	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 £25k of land and buildings that are not specialised are valued at their existing use (EUV). The Authority has engaged Amcat Limited to complete the valuation of its land and buildings as at 31 March 2024 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 £115.512m, this includes Other Land and Building of £79.242m and PFI Land and Building of £36.270m. There was an overall net decrease of £2.815m from 2022/23 (£118.327m).	We completed the following work. • 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 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. We selected a sample of 25 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. We considered the level of disclosure in the financial statements to be appropriate, with only one minor amendment in disclosure. Since the decrease in value was due to the downward revaluation rather than impairment losses, the Authority has updated the disclosure sub-heading to reflect the correct classification. Also see details in Appendix D.	● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} 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
- [Green] 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																								
Valuation of Pension Fund Net Liability – £651.920m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Authority's total net pension liability at 31 March 2024 is £651.920m (2022/23 £651.536m) comprising the unfunded defined benefit pension obligations of the Firefighters Pension Scheme of £651.826m and the Lancashire County Pension Fund Local Government Pension Scheme of £0.094m. The Authority uses Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from the Firefighters' Pension Scheme, 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.	We have completed the following work on the estimate: - assessed the Authority's actuaries, GAD and Mercer, to be competent, capable and objective. - 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: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>Mercer: 4.9% GAD: 4.75%</td><td>Mercer: 4.9% GAD: 4.75%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>Mercer: 2.8% GAD: 2.6%</td><td>Mercer: 2.7%-2.8% GAD: 2.6%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>Mercer: 4.2% GAD: 3.85%</td><td>Mercer: 3.85%-4.2% GAD: 3.85%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>Mercer: 22.8/21.5 GAD: 22.9/21.3</td><td>Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>Mercer: 25.6/23.8 GAD: 22.9/21.3</td><td>Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6</td><td>●</td></tr> </table> - confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the 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. Our audit work remains on-going as at the date of this report. We are still waiting for the responses from the pension fund auditor. Our audit work to date has not identified in respect of this testing.	Assumption	Actuary Value	PwC range	Assessment	Discount rate	Mercer: 4.9% GAD: 4.75%	Mercer: 4.9% GAD: 4.75%	●	Pension increase rate	Mercer: 2.8% GAD: 2.6%	Mercer: 2.7%-2.8% GAD: 2.6%	●	Salary growth	Mercer: 4.2% GAD: 3.85%	Mercer: 3.85%-4.2% GAD: 3.85%	●	Life expectancy – Males currently aged 45/65	Mercer: 22.8/21.5 GAD: 22.9/21.3	Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9	●	Life expectancy – Females currently aged 45/65	Mercer: 25.6/23.8 GAD: 22.9/21.3	Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6	●	● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	Mercer: 4.9% GAD: 4.75%	Mercer: 4.9% GAD: 4.75%	●																								
Pension increase rate	Mercer: 2.8% GAD: 2.6%	Mercer: 2.7%-2.8% GAD: 2.6%	●																								
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Life expectancy – Males currently aged 45/65	Mercer: 22.8/21.5 GAD: 22.9/21.3	Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9	●																								
Life expectancy – Females currently aged 45/65	Mercer: 25.6/23.8 GAD: 22.9/21.3	Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6	●																								
Assessment																											

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

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IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion: Finance and Payroll	ITGC assessment (design and implementation effectiveness only)					All significant risks

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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.

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 other 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 is set out at Appendix F.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



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Issue	Commentary
Confirmation requests from third parties	We requested permission from management to send confirmation requests to the Authority's banking and investment partners. This permission was granted, and the requests were sent. The majority of these requests were returned with positive confirmation; only one request is still outstanding.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
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).

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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 Authority 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 on Annual Governance Arrangement, and Narrative, 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.
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 nothing to report on these matters.
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. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 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 2023/24

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, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Following our work, we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



4. Independence considerations

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority'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 considerations

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 Company 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 Group or investments in the Group 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 Group 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 Authority'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. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

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 two 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 2024/25 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.

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Assessment	Issue and risk	Recommendations
● Low	During our reconciliation between the general ledger transactions listing and trial balance, we identified variances in 2 account codes. The variances are below triviality and net to nil; therefore, they have no impact on the final accounts. However, the general ledger should always reconcile back to the trial balance to ensure the accuracy and completeness of the data.	For control purposes and best practices, we recommend that management run checks between the transaction listing and trial balance on a timely basis to identify and address any potential system errors. Management response An additional monthly reconciliation has been introduced to identify any coding variances within customised reporting.
● Low	During our sample testing of assets' useful economic life, we identified one asset that was recognised under Vehicle, Plant and Equipment in 23/24 but has not been brought into use. In this case, we would expect the assets to be recognised under Assets under construction instead. We reviewed the Fixed assets register and confirmed that no depreciation has been charged in year for this asset. Therefore, apart from the matter of classification, there is no impact on the net balance of the accounts.	For the best accounting practice , we would recommend the management review the fixed assets register on a regular basis and ensure that the assets have been classified in the correct categories. Management response The asset register will continue to be reviewed on a regular basis and a classified category check will be introduced.

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 2022/23 financial statements, which resulted in 7 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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 deprecation was £190k on assets with a gross value of £587k, resulting in additional depreciation charged against the assets. In addition, there are almost £6m assets in the FAR with nil NBV's which need reviewing to determine any residual useful economic lives (UEL's) and continuing usage. We recommended 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 asset register have been reviewed to address issues raised. Auditor comment We confirmed that this recommendation has been fully implemented in 2023/24. During our audit testing, we did not identify any negative net book values as of 31 March 2024, and any fully depreciated assets were reviewed by management. They have either been written off in the year or had their UEL amended for continuing usage.
✓	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-authorised 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 recommended the Authority investigates whether the system can be updated to include details of preparer/authorizer.	Management response A new process has been in place for the whole of 2023/24 recording 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 manual journal file. A journal register records the unique journal reference, accounting period, preparer and approver. Auditor comment We confirmed that the additional process mentioned above has been implemented in 2023/24, and it addressed the recommendation raised in 2022/23.

Assessment

- ✓ Action completed
- x Not yet addressed

C. Follow up of prior year recommendations - continued

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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, which the Authority states is unlikely. 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 Recommendation implemented for 2023/24 accounts. Auditor comment We confirmed that the Accounting Policy has been updated in 2023/24 it addressed the recommendation raised in 2022/23.
✓	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 LFRS accesses are regularly reviewed. No inappropriate accesses identified. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.

Assessment

- ✓ Action completed
- x Not yet addressed

C. Follow up of prior year recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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 Regular meetings are held with LCC on progress of remaining non-standard reports still in development. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.
✓	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. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.
✓	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 There are robust inhouse controls to manage the LFRS approval hierarchy, including regular review by the Financial Accountant. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.

Assessment

- ✓ Action completed
- x 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 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Note 7 Intangible assets There were 5 assets with a total Net book value of £681k which should have been recognised as tangible assets rather than intangible assets in accounts, and the associated charges should be classified as depreciation instead of amortisation.	-	Dr Property, Plant and Equipment 681 Cr Intangible assets 681	Dr Depreciation 148 Cr Amortisation 148	-
Overall impact	£-	£-	£-	£-

D. Audit Adjustments

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	Adjusted?
Note 6 Capital Expenditure Disclosure We identified a variance of £751k between the expected Capital Financing Requirement (CFR) and the CFR in the draft accounts. This variance is due to the omission of the capital financing element from the NWFC's accounts (Joint Operation) in the opening CFR balances. Since this is only a disclosure error and has no impact on the main financial statements, the Capital Expenditure disclosure has been amended in the 2023/24 accounts with footnote explaining the treatment.	✓
Note 8 Financial Instruments There was £511.6k Other LA Creditor missed from the Financial instrument disclosure, and the disclosure has not made clear how the Financial instruments reconcile to the balance sheet. The accounts have been updated accordingly and the disclosure now cover all balances that meet the definition of financial instruments with enough information to enable the reader to reconcile back to the balance sheet.	✓
Note 15 Pension Net Liabilities There was an inconsistency between the actuary report and the firefighter's pension scheme contribution balances. The Employer contributions and The Contributions by scheme participants should be £28,790k and £3,830k, respectively, rather than £26,540k and £6,080k. The total contribution is not impacted, but there is an error in the split.	✓
Other minor presentational updates As a result of our review of the accounts, we identified a number of minor presentational and disclosure improvements. These mainly include: - In Note 26 Estimation and uncertainty, the Fair value measurements for PFI schemes were removed, since it is not a risk of material movement in the next 12 months. - In Note 6: PPE, the sub-heading should be updated from "Impairment Losses" to "Downward Revaluation", and from "Disposal" to "Disposal and Derecognition", in order to clarify the disclosures and better reflect the nature of the balances disclosed.	✓

D. Audit Adjustments (continued)



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Impact of unadjusted misstatements

All adjustment identified during the audit have been made within the final set of financial statements.

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 2022/23 financial statements. We do not consider this misstatement has had a material impact on the opening balance of current year.

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	

E. Fees and non-audit services

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
Scale fee	£92,606
ISA 315	£5,020
Total audit fees (excluding VAT)	£97,626

The fees reconcile to the financial statements as follows:

	£000
Fee per Note 4 External auditor fee	106
Additional fee for 2022/23 audit	(8.3)
Total fees per above	97.7

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Lancashire Combined Fire Authority
Financial Statements for the year ended 31 March 2024

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 2024 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 2023/24 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 2023/24 ("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.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building valuations and pensions asset and liability valuations. 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.

F. Management Letter of Representation

- Page 133
- 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:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Authority has been assigned, pledged or mortgaged
 - 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.

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.

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 :
 - 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
 - the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - 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
 - vi. 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.

F. Management Letter of Representation

Information Provided

- xvi. We have provided you with:
- 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;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. 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.
- xx. 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:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxv. 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

xxvi. 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 26 September 2024.

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Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

G. Audit opinion - DRAFT

Our anticipated audit report opinion will be unmodified

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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 2024, 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. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24; 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 2023/24 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

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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, 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 2023/24, 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 2023/24, 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, 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 potential management bias in determining accounting estimates for the valuation of land and buildings and the pension liability/asset, and management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals.

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 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

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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 2024.

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

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 2024 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 85 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:

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 26 September 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 put 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 in the 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, the recommendations and management response are set out in Appendix 1.

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

Lancashire Combined Fire Authority

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Interim Auditor's Annual Report for the
year ended 31 March 2024

September 2024



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to 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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Lancashire Combined Fire Authority ("the Authority") during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the Value for Money (VfM) arrangements.

The Authority is responsible for Lancashire Fire and Rescue Service ("LFRS"). All Fire and Rescue Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

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

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Authority has proper arrangements in place regarding arrangements under the three specified criteria:

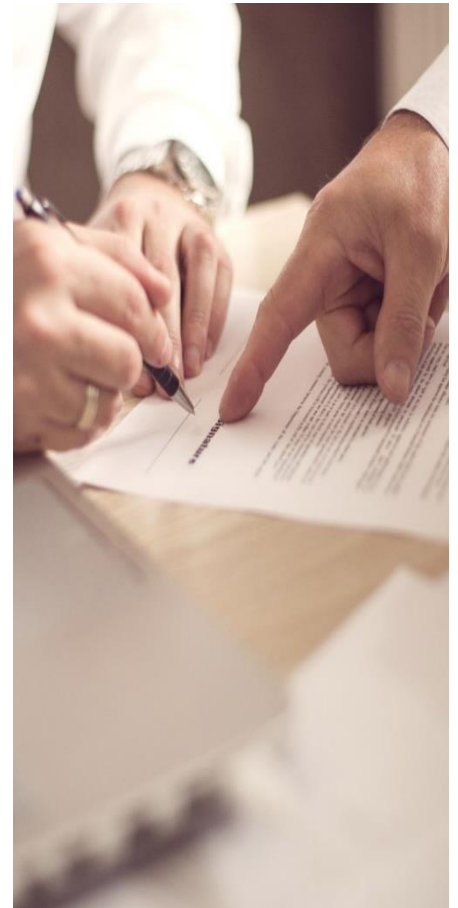
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 9 with a commentary on whether any of these powers have been used during this audit period.



Executive summary

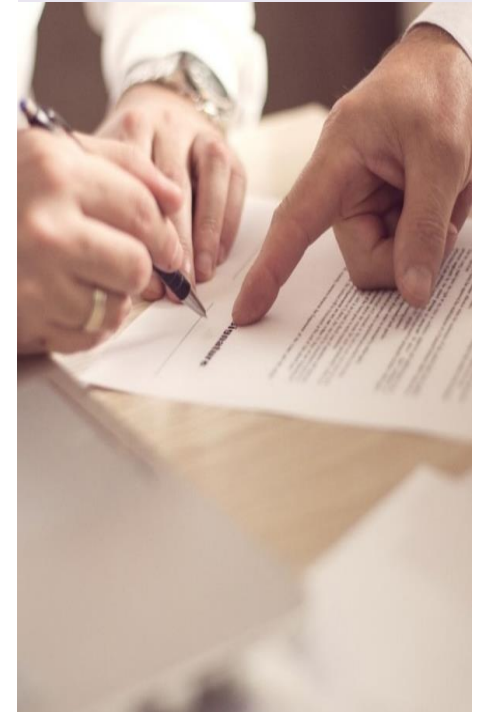


Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 22.



We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion, following the Audit Committee meeting on 26 September 2024. Our findings are set out in further detail on page 8.



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Financial sustainability

At the risk planning stage, we identified a potential significant weakness in arrangements in relation to the Authority's level and use of reserves to manage its financial position, which was the subject of a key recommendation in 2022/23. However, our work found that the Authority has addressed the significant weaknesses in arrangements identified in 2022/23. The Authority has approved a balanced revenue budget and Medium Term Financial Strategy to 2028/29. Budget gaps have been identified, and the Authority plans to mitigate these using adjustments to revenue contributions to capital in the short term, and efficiency savings in the medium term. A plan to deliver £2.5 million of efficiency savings in 2026/27 is in development. We have identified some opportunities to improve the arrangements for mitigating budget gaps, as set out on page 14.

The MTFS approved by the Authority in February 2024 forecasts that the Authority's general reserves will be maintained at £4.8 million or higher over the next five years. This is above the minimum balance determined as being appropriate by the Chief Finance Officer, set at £3.75 million (approximately 5% of the net revenue requirement).

We have not identified any areas of significant weakness in arrangements.



Governance

In general, we found that the Authority's governance arrangements were appropriate. The Authority takes assurance from risk management processes, effectiveness of internal controls, decision making processes, arrangements to ensure appropriate standards are met and arrangements to prevent and detect fraud.

Our work has not identified evidence of significant weaknesses within the arrangements in place but we continue to identify opportunities for improvements in governance arrangements and as such, we have raised seven improvement recommendations, some of which relate to issues raised in prior years.



Improving economy, efficiency and effectiveness

We found examples of good practice in the Authority's approach to learning from other organisations and from HMICFRS inspections and the Authority has well established arrangements for monitoring its performance against KPIs set out in the Annual Service Plan. The Authority has demonstrated that it reviews and challenges strategic priorities and cost-effectiveness, through the Emergency Cover Review which began to be implemented in 2023/24.

We identified two opportunities for the Authority to improve its arrangements in this area. In particular, the Authority should implement a framework for structured and consistently applied contract management for all key service contracts. We have not identified any areas of significant weakness in arrangements.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Authority’s arrangements

Auditors are required to report their commentary on the Authority arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place.

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. A summary of our judgements are set out in the table below.

Page 150

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	A significant weakness in arrangements was identified in relation to the Authority’s level and use of reserves to manage its financial position. One key recommendation and one improvement recommendation made.	Our risk assessment identified a potential significant weakness in arrangements in relation to the Authority's level and use of reserves to manage its financial position. This was the subject of a key recommendation in 2022/23.	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the Authority in improving arrangements relating to efficiency savings. The recommendation relates to reporting of planned and achieved savings.	↑
Governance	A	No significant weaknesses in arrangements identified, but five improvement recommendations made.	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but seven improvement recommendations have been made to support the Authority in continuing to improve its arrangements. More detail is provided in the detailed findings section of this report which starts on page 15.	↔
Improving economy, efficiency and effectiveness	A	No significant weaknesses in arrangements identified, but five improvement recommendations made.	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Authority in continuing to improve its arrangements. More detail is provided in the detailed findings section of this report which starts on page 19.	↔

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

At the time of writing our audit is ongoing. We anticipate issuing an unqualified opinion on the Authority's financial statements on.

The full opinion will be included in the Authority's Annual Report for 2023/24, which can be obtained from the Authority's website.

Grant Thornton provides an independent opinion on whether the Authority's financial statements:

give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24

- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The national deadline for providing unaudited accounts was 31 May 2024. The Authority provided draft accounts on 5 August 2024.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. This will be presented to the Authority's Audit Committee on 26 September 2024. Requests for the Audit Findings Report should be directed to the Authority.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
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 make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
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 make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current landscape

It is within this context that we set out our commentary on the Authority's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

The Fire and Rescue sector in England remains challenged. In recent years, generationally significant levels of inflation have put pressure on revenue and capital expenditure, whilst demand for services has remained high with the sector seeing increasing demand stemming from emergencies relating to climate change. At the same time, uncertainty over funding levels following a series of single year funding settlement announcements from central government has impacted Fire and Rescue Services' ability to plan for the future.

In 2022, a Fire Reform White Paper was published which introduced the possibility of changes to governance arrangements in the Fire and Rescue sector. In 2023, the Minimum Service Levels Act was introduced, which has significant implications for the workforce of Fire and Rescue Services.

Following a change of government in July 2024, the content and timing of future changes to government policy relating to the Fire and Rescue sector, including the potential reversal of the Minimum Service Levels Act, are at present uncertain.



Local context

Lancashire Combined Fire Authority ("the Authority") is responsible for Lancashire Fire and Rescue Service, which serves a population of 1.52 million residents over an area of 1,184 square miles. The Authority operates under a Combined Fire and Rescue Authority model, made up of 25 elected Members from the three local Councils (Lancashire County Council, Blackpool Council and Blackburn with Darwen Borough Council). The Authority Members direct the purpose, objectives, priorities and values of the Authority and are responsible for the provision of an effective and efficient Fire and Rescue Service for Lancashire. Lancashire Fire and Rescue Service ("LFRS") is led by the Chief Fire Officer, who is responsible for leading the service, providing direction and improvement as well as providing advice to the Authority Members to support informed decision making.

The Authority has established a Community Risk Management Plan for the five years from 2022 to 2027. The plan sets out the aims, priorities and values of the Authority and provides details of how LFRS will achieve its aim of making the county safer, based on levels of risk and demand across Lancashire.



Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Authority has an approved budget in place for 2024/25 which is part of the refreshed the Medium Term Financial Strategy (“MTFS”) covering the five years to 2028/29. We raised a key recommendation in 2022/23 that the Authority should develop a plan to address its general reserve position and curtail the use of reserves to balance its financial position, and to continue to take steps to control expenditure and deliver sustainable savings. Based on our review of the Authority's financial plans, we have concluded that the Authority has adequately addressed this recommendation and have not raised any key or improvement recommendations in this area.

The Authority recorded an overspend of £0.4 million of the revenue budget in 2023/24 (0.6% of the total revenue budget of £68.2 million). This compares favourably to the revenue outturn in 2022/23 when there was an overspend of £1.9 million, 3% of the revenue budget. The overspend was partly attributable to a delay in implementing operational changes following the 2022 Emergency Cover Review, when more time was needed to address concerns and queries from firefighters about the proposed changes. The changes have now been implemented and the savings are expected to be achieved in 2024/25.

The MTFS approved by the Authority in February 2024 forecasts that the Authority's general reserves will be maintained at a level of at least £1 million above the minimum balance determined as being appropriate by the Chief Finance Officer, £3.75 million (approximately 5% of the net revenue requirement).

G

plans to bridge its funding gaps and identifies achievable savings

The Authority achieved £1.8 million of the planned £1.9 million of efficiency savings in 2023/24. The shortfall was caused by a delay in the achievement of savings from the implementation of the 2022 Emergency Cover Review, which were partly offset by additional interest income and other savings not included in the plan.

For 2024/25, the Authority has identified a budget gap of £1.5 million and plans to bridge this gap by reducing the revenue contribution to capital expenditure. A further £0.5 million reduction in the revenue contribution to capital will be used to balance the budget for 2025/26. In this way, the Authority intends to avoid using the General Reserve to bridge any budget gaps over the short term. However, reductions in the revenue contribution to capital in the short term will lead to increased borrowing to support the capital programme in the medium term and will also will not tackle any underlying causes of cost inefficiencies. The Authority estimates that £2.5 million of efficiency savings will be required in 2026/27 to balance the revenue budget and support increasing levels of investment in capital projects . The Authority has begun to explore options for future efficiency savings but at the time of writing these are at an early stage of development.

We have identified opportunities to improve the Authority’s arrangements relating to savings plans, as set out on page 14.

A

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

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

Page 157

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority's strategic objectives are set out in the Community Risk Management Plan 2022-27 ("CRMP") and the Annual Service Plan 2024/25. Objectives are consistent with financial plans developed for 2024/25 and the MTFS. The MTFS is supported by a 10-year Strategic Asset Investment Framework which includes plans for capital investment in operational buildings, vehicles, operational equipment and ICT which is required to support the Authority's achievement of its strategic objectives. The MTFS and Strategic Asset Investment Framework are also clearly linked to the Treasury Management Strategy, reflecting the new borrowing required to fund capital investment in the later years of the MTFS.

In 2023/24, the Authority participated in financial benchmarking work coordinated by the National Fire Chiefs Council ("NFCC"). This work has contributed to a better understanding of the higher cost areas of spend, where the Authority is potentially operating at a higher cost than other similar Fire and Rescue Services. The work also identified areas of relatively lower cost for the Authority, compared to similar Fire and Rescue Services.

G

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

The Authority's annual planning process considers the requirements of the CRMP and Annual Service Plan, as well as the implications of the 2022 Emergency Cover Review. Relevant non-financial information, such as workforce planning data, and the revenue implications of the Strategic Asset Investment Framework and supporting asset management strategies for property, estates and fleet, are reflected in the annual budget and the MTFS .

G

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Authority identifies financial risks through the analysis of variances between forecast outturn and the approved budget. Budget analysis (including explanations for significant variances and details of mitigating actions identified) and associated risks to financial resilience are reported to the Resource Committee, which meets quarterly.

The Authority has also identified external risks to its financial sustainability, such as uncertainty over future funding settlements from central government, inflationary pressures and increased pension costs. Sensitivity analysis was used in the development of the 2024/25 budget and MTFS to illustrate the impact of varying key assumptions and the related financial risks.

G

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

Financial sustainability (continued)



Area for improvement

Funding gaps and savings plans

Within the MTFS, planned adjustments to revenue contributions to capital and required efficiency savings needed to bridge budget gaps are reported as one line item. Disaggregation of these items, on the basis of the significant differences in their nature and potential challenges in delivery, would increase transparency and clarity of plans.

Quarterly financial updates to the Resources Committee for 2023/24 provided some implicit information on savings performance, with underperformance of savings being reported by exception where this impacted on delivery of the revenue budget. However, there was no specific reporting of performance against the planned savings target for 2023/24.

Whilst the plan to bridge the budget gap in 2024/25 and 2025/26 relies on reductions in the revenue contributions to capital and is therefore lower risk for delivery, a robust framework of monitoring, reporting and oversight of progress against a phased plan for the delivery of £2.5 million of efficiency savings required in 2026/27 will help support achievement of the significant savings target. This should include quality impact assessments where appropriate, and clear assignment of responsibilities and actions. The Authority should continue to develop the efficiency savings plan prior to 2026/27, including consultations and costing of invest-to-save projects, so that delays in implementation can be avoided and there are no unidentified savings at the start of the financial year.

Improvement recommendation 1:

The Authority should consider making improvements to the reporting of plans to bridge identified gaps in the revenue budget, and performance against savings and efficiency plans, by:

- disaggregating efficiency savings from adjustments to revenue contributions to capital in the MTFS summary table; and
- reporting specifically on efficiency savings achieved as compared to the approved plan, within the quarterly financial update.

The Authority should continue development of its savings plan in advance of 2026/27, including consultations and costing of invest-to-save projects, so that delays in implementation can be avoided. Savings plans should be subject to quality impact assessments where appropriate, and responsibilities for delivery of savings should be clearly assigned.

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

Page 159

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has arrangements in place to identify, understand and record risks, including updated Risk Management Policies and Procedures approved by the Audit Committee in March 2024. The Audit Committee is responsible for the oversight of risks captured in the Corporate Risk Register, but we have identified that Audit Committee papers provide only a summary of the total data captured in the risk register, omitting other useful information included in the full version risk register. We have identified opportunities to improve risk management arrangements as set out in the Improvement Recommendation on page 17. We have also identified an opportunity for the Authority to improve its arrangements by linking committee agendas and papers to key risks or strategic objectives, which is good practice. The Internal Audit function assesses risk at both strategic and operational levels, and provides annual assurance over the adequacy of internal controls. A summary of progress against the annual Internal Audit plan is presented at each meeting of the Audit Committee. We identified that oversight could be improved through more detailed reporting, and have raised an Improvement Recommendation on page 17. Our review found that the Authority has adequate arrangements for the prevention and detection of fraud, including appropriate policies and procedures.

A

approaches and carries out its annual budget setting process

The Authority has a well-established annual budgeting process, which links to the annual refresh of the MTFS. The revenue budget is based on the prior year base budget, adjusted for changes identified by budget holders and challenged and approved by senior management. The capital budget is based on approved asset management plans, which are subject to assessment of ongoing requirements. Bids for new capital projects are evaluated and prioritised by senior management. The revenue and capital budgets are approved by the Authority each year in February.

G

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

The Resources Committee receives quarterly financial update reports that present the forecast year-end position against the revenue budget, alongside details of areas of projected under- or over-spending and a high-level summary of reasons for variances. The report also includes a section on capital spending, providing a narrative update on the progress of projects in the capital program, as well as year-to-date and forecast spend for the year. However, the financial update report does not present information on the revenue outturn for the year to date. In addition, the revenue and capital forecasts do not include an analysis of the best and worst-case forecast outcomes. Including this information would enhance the information provided to members, and we have reported this as an opportunity for improvement on page 17. In addition to the quarterly financial update, two Treasury Management Reports are presented to the Resources Committee each year to provide an update on the Authority’s borrowing and investment position.

A

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

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

Page 160

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The structure of the Authority and its Committees is outlined in the Constitutional, Procedural and Contractual Standing Orders which were last updated in 2021. Each Committee has a Terms of Reference, and in 2022/23 we recommended that these should be reviewed and updated to include conditions for quoracy. Although Terms of Reference were updated in June 2024 for the Resources, Performance and Planning Committees, the update did not include conditions for quoracy and the Terms of Reference for the Audit and Appeals Committee have not been reviewed since 2018. We therefore continue to identify this as an area for improvement as set out on page 18.

Based on our review of a sample of Authority and Committee papers, we conclude that decisions are supported by sufficiently detailed information to facilitate appropriate levels of challenge and debate. All papers are supported by a standard reporting template, providing an overview of the action or decision to be made and a summary of risk, financial, equality and diversity, environmental, legal and HR implications. We did not identify any evidence of inappropriate decision making. However, we have identified an opportunity to improve the Authority's arrangements by mapping meeting agendas and papers to the strategic objectives defined in the CRMP, as set out on page 18.

A

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Authority's governance arrangements are overseen by the Monitoring Officer and include the Constitution and Standing Orders as well as supporting policies such as the Code of Conduct for Members, Code of Corporate Governance, Scheme of Delegation, Financial Regulations, Contract Standing Orders, Whistleblowing Policy and Anti-Fraud Policy. In addition, LFRS officers are subject to Service Orders which include policies relating to compliance with laws and regulations and standards of behaviour. It is considered good practice for policies to be reviewed every three years. However, we found that some policies had not been reviewed since 2018 and we have identified this as an opportunity to improve arrangements on page 18.

Declarations of interest are a standing agenda item for all Authority and Committee meetings, and the Authority maintains registers of interests and gifts and hospitality.

The Authority's Procurement Strategy, was updated during 2023/24. Whilst Contract Standing Orders are in place, we note that they have not been reviewed in full since 2018, although thresholds were updated in 2022. We also note that Internal Audit have identified cases where Contract Standing Orders had not been adhered to, and we have included an Improvement Recommendation with regards to this on page 18.

A

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

Governance (continued)



Areas for improvement

Risk Management

The Corporate Risk Register included 31 risks as at May 2024. We found that some of the risks included in the risk register were repetitive, with very similar controls, exposures, impacts and actions identified. We would recommend consolidation of these risks to reduce duplication which could lead to reduced effectiveness of the risk register in communicating significant areas of risk.

The summary version of the Corporate Risk Register provided to the Audit Committee omits useful information such as risk triggers, impacts, responsibility and timing of actions, residual risk score and risk owner, which is recorded on the main risk register. We would recommend that more detailed information is provided to the Audit Committee to help support effective oversight.

It is good practice for risks recorded in the risk register to be mapped to strategic objectives, to support effective risk management and informed decision making.

Improvement recommendation 2:

The Authority should consider opportunities to improve risk management by:

- consolidating very similar risks and actions to reduce duplication in the Corporate Risk Register
- adding environmental risks to the risk scoring criteria
- providing more comprehensive information to the Audit Committee
- mapping corporate risks to the strategic objectives outlined in the Community Risk Management Plan

Assurance over Internal Controls

Our review of Internal Audit progress reports to the Audit Committee identified that reports were high level summaries and did not include details of recommended actions, management's response, timelines for completion of actions or confirmation that actions have been completed. It would be good practice to include this information, to support effective scrutiny and increase assurance over the Authority's internal control framework.

Improvement recommendation 3:

The Authority should consider enhancing the level of detail within Internal Audit progress reports to the Audit Committee, to include details of recommended actions, management's response, timelines for completion of actions and confirmation that actions have been completed.

Budgetary control

The Resources Committee receives quarterly financial update reports, but our review identified some opportunities to improve budget monitoring reports:

- Reporting the year-to-date revenue outturn against the year-to-date budget would help identify areas where current performance is not in line with the profiled budget and could highlight areas of financial risk
- It is good practice to include scenario information for the forecast outturn, as this provides information about potential financial risks

Improvement recommendation 4:

We recommend that the Authority consider expanding the quarterly financial update to the Resources Committee to include:

- year to date revenue outturn against year-to-date budgets, and reasons for variances
- details of the best-case and worst-case outcomes against the revenue and capital budgets (and the basis for these estimates)

Governance (continued)



Areas for improvement

Informed decision making

It is good practice for meeting agendas and papers to be referenced to strategic objectives, providing additional context and clarity and supporting committee members to make informed decisions that contribute to the overall strategy of the Authority.

We have previously recommended that Terms of Reference for Committees should be updated to include requirements for quoracy, so that it is clear whether a Committee's decisions are being taken in line with the Authority's constitution. This was not implemented when a selection of Terms of Reference were updated in June 2024.

We also note that the Terms of Reference for the Appeals and Audit Committees have not been updated since 2018. It is good practice for these documents to be reviewed at least every three years so that they remain appropriate for the Authority's needs.

Improvement recommendation 5:

The Authority should consider introducing referencing of meeting agendas and papers to the Authority's strategic objectives as outlined in the CRMP.

Improvement recommendation 6:

Terms of Reference for every Committee should include quoracy conditions and should be reviewed at least every three years.

Policies and Procedures

It is good practice for policies and procedures to be reviewed at least every three years, to support informed decision making and ensure that the Authority maintains appropriate standards.

We identified some key policies and procedures which have not been updated since 2018, including:

- Financial Regulations
- Scheme of Delegation
- Contract Standing Orders (although thresholds were reviewed in 2022)
- Service Order - Gifts and Hospitality Protocol for Officers

Improvement recommendation 7:

The Authority should take action to review policies and procedures (including Service Orders) where this is identified as being overdue.

Following review, policies and procedures should be approved by the Authority or appropriate Committee, even where no changes have been made.

Contract Standing Orders

An Internal Audit review of Accounts Payable reported that there were some instances of procurement activity exceeding the thresholds set out in the Contract Standing Orders, where contracts were not in place.

Contract Standing Orders are established to ensure transparency, accountability, and value for money in public procurement. Non-compliance with Contract Standing Orders could lead to legal, financial, and reputational risks for the Authority, as well as risks to operational delivery and potential fraud.

The Authority is currently developing improved arrangements to address non-compliance with Contract Standing Orders, although these are not yet fully implemented or embedded.

Improvement recommendation 8:

The Authority should establish, implement and embed procedures to provide assurance that Contract Standing Orders are adhered to in all instances.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement

Page 163

The Authority's Performance Committee receives quarterly performance reports which include analysis of performance against the Key Performance Indicators (KPIs) specified in the Annual Service Plan. KPIs are aligned to the strategic priorities detailed in the CRMP and cover both financial and non-financial performance, although we have identified an opportunity to increase the breadth of financial information presented, as set out on page 21. Performance data is sourced from the National Incident Reporting System as well internal HR and finance systems. Our review of performance reports found they contained a good level of detail, which could be used to facilitate appropriate challenge, discussion and assurance. We found that action was taken to address any negative exceptions in performance identified.

The Authority has established strong arrangements to facilitate learning from other organisations. The Operational Assurance Team reviews recently published HMICFRS inspection reports for other Fire and Rescue Services to identify common and thematic issues raised by HMICFRS. These are recorded in the Authority's assurance monitoring system alongside actions to mitigate the Authority's exposure to potential risks. In addition, LFRS participated in the first HMICFRS Positive Practice Masterclass, held in April 2024, where positive practices and opportunities to learn were presented and discussed with several Fire and Rescue Services. In 2023/24, the Authority contributed to financial benchmarking coordinated by the NFCC. This initiative has contributed to a better understanding of the areas of spending where LFRS is potentially operating at a higher cost than other similar Fire and Rescue Services.

A

evaluates the services it provides to assess performance and identify areas for improvement

LFRS received a "good" or "outstanding" rating across all categories and sub-categories in its most recent HMICFRS inspection, which was published in July 2022. This was also the case for the previous inspection in 2019. To prepare for the next inspection, the Authority developed an action plan and assurance monitoring system to record and track areas where actions are required to address areas for improvement identified in the 2022 inspection report. The assurance monitoring system also includes actions relating to common issues identified through a review of the most recent HMICFRS inspection reports published for other Fire and Rescue Services and the recent HMICFRS thematic review on Values and Culture, as well as actions from "reality testing" exercises. These reviews are carried out by the Operational Assurance Team, which provides regular updates to the Planning Committee. Whilst some actions are not yet closed, the Authority's work to improve its performance remains ongoing.

The Authority conducts periodic Emergency Cover Reviews (ECR) to assess the efficiency and effectiveness of its emergency response arrangements, and to aid in preparing for future challenges. The most recent ECR was completed in 2022, covering the period from 2023 to 2026. Changes proposed in the ECR began to be implemented during 2023/24, including new crewing systems for some fire stations and investments in dynamic cover software (intended to improve efficiency of frontline staff) and additional capabilities for off-road fire appliances, high rise buildings and commercial properties. Implementation of the ECR is expected to enable the Authority to maintain the current number of fire stations and appliances (39 fire stations and 58 appliances), maintain or improve response standards as well as providing cost efficiencies and increased flexibility in working arrangements for firefighters.

G

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

Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Authority actively collaborates with local and regional partners through various initiatives. Notable examples include the Blue Light Collaboration Board (“BLCB”), which was established to facilitate collaboration among local partners in the Fire and Rescue, Police, and Ambulance sectors following a duty to collaborate being introduced in the Policing and Crime Act 2017. In addition, the Authority has a stake in North West Fire Control, a joint control room operation dating back to 2007, shared by the Fire and Rescue Services of Lancashire, Cumbria, and Greater Manchester.

An update on collaboration activity, including progress in each of the BLCB workstreams, features in the quarterly performance report received by the Performance Committee. The Performance Committee also receives information related to the performance of North West Fire Control.

The Authority revised its Consultation Strategy, which outlines its approach to public consultation, at the end of 2023/24. The most recent consultation exercise undertaken by the Authority was conducted as part of the development of the Emergency Cover Review in 2022, during which proposed changes were consulted upon with both local residents and the Authority's staff.

G

commissions or procures services, assessing whether it is realising the expected benefits

The Authority updated its Procurement Strategy at the end of 2023/24. The Strategy is aligned to the core priorities in the Annual Service Plan 2024/25 and the Authority's governance framework. The updated Strategy also reflects the changes in public procurement requirements resulting from the Procurement Act 2023 and sets out the Authority's aspirations to enhance contract monitoring arrangements by introducing more centralised and formalised management of key contracts. However, at the time of writing, these improvements had not been implemented and we have therefore raised an improvement recommendation to highlight the importance of improvements in arrangements in this regard, as shown on page 21.

Our assessment of contract monitoring arrangements involved a review of biannual performance updates provided to the Performance Committee for North West Fire Control, the joint control room operated in collaboration with Cheshire, Cumbria and Greater Manchester Fire and Rescue Services. The number of calls handled by North West Fire Control on behalf of LFRS was lower in 2023/24 than in the prior year; mobilisation times for fire incidents remained better than the KPI target of 90 seconds although with a small decrease compared to the prior year, with mobilisation times for special services improving slightly compared to the prior year.

A

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

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Capital Programme Reporting

The Authority has experienced slippage in the timetable for delivery of its capital programme in both 2022/23 and 2023/24. £8.2 million of planned capital investment was deferred from 2022/23 and due to be delivered in 2023/24. However, 2023/24 saw further slippage, with £5.8 million of capital investments deferred to 2024/25, equating to around 57% of the capital plan for the 2023/24 financial year. Failure to identify and address slippage in delivery may have negative operational or financial impacts.

The Authority has ambitious plans for capital investment in the medium term, with £72.9 million due to be invested over the five years to 2028/29. Around three quarters of this investment will be in buildings and properties, including new buildings for the Service Headquarters and Training Centre as well as relocated and refurbished fire stations. This investment supports the Authority's strategic objectives within the CRMP.

To support delivery of this significant investment, the Authority has established a Member Working Group to enhance oversight. However, we recommend that arrangements could be further improved by incorporating performance against the capital budget in the quarterly performance report, in addition to performance against the revenue budget since the substantial capital programme planned over the next five years means that monitoring, reporting and oversight of performance against the capital plan will become increasingly important.

Improvement recommendation 9:

The Authority should consider including information on performance against the capital plan in the quarterly performance monitoring reports provided to the Performance Committee.

The Authority should continue to seek to mitigate slippage and delays in the delivery of the capital programme.

Contract Management

The Authority's current arrangements for monitoring the performance of key contracts and service providers does not reflect best practice. Although the Procurement Strategy sets out the Authority's aspirations to improve contract monitoring arrangements by introducing more centralised and formalised management of key contracts, these improvements are not yet implemented. Contract monitoring takes place locally within various teams and departments, without a defined framework for assessing performance or escalating issues. There is no centralised oversight or record keeping for contract management activities.

The joint control room operated in collaboration with Cheshire, Cumbria and Greater Manchester Fire and Rescue Services is a key service supporting the Authority's operational activities. The Senior Operations Manager from North West Fire Control provided two performance updates to the Performance Committee in 2023/24, detailing the total number calls received by the control room for the quarter and year to date, as well as performance against the KPI of 90 seconds for resource mobilisation for emergency calls relating to fires and the response time special service calls (for which there is no KPI). All performance measures included a comparison to the activity level or response time in the equivalent quarter of the previous year and for the previous year to date.

To ensure that the Authority can realise the expected benefits from its key contracts, and minimise risks to service delivery, consistent application of contract management activity is essential, alongside strategic oversight of key contracts and their performance.

Improvement recommendation 10:

The Authority should implement a framework for structured and consistently applied contract management. Contract management for key service contracts such as the North West Fire Control collaboration and PFI agreements should be prioritised.

Arrangements should include:

- regular reviews of existing contracts to safeguard the achievement of value for money and compliance with legal and regulatory requirements
- monitoring of contract performance and deliverables against key performance indicators and other measures to identify and resolve service performance issues
- reporting of contract management activity to the Authority or Performance Committee

Value for Money Recommendations raised in 2023/24



Recommendations raised in 2023/24

Page 167^{R1}

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
The Authority should consider making improvements to the reporting of plans to bridge identified gaps in the revenue budget, and performance against savings and efficiency plans, by: - disaggregating efficiency savings from adjustments to revenue contributions to capital in the MTFS summary table; and - reporting specifically on efficiency savings achieved as compared to the approved plan, within the quarterly financial update.	Improvement	Financial sustainability	Review of the MTFS and quarterly financial updates	A robust framework of monitoring, reporting and oversight of progress against a phased plan for the delivery of £2.5 million of efficiency savings in 2026/27 will help support achievement of the significant savings target. Delivery of the planning savings will be harder to achieve without plans being fully developed before the start of the financial year.	Noted, budget monitoring reports to the Resources Committee will be developed to include progress against agreed savings plans in the MTFS.
The Authority should continue development of its savings plan in advance of 2026/27, including consultations and costing of invest-to-save projects, so that delays in implementation can be avoided. Savings plans should be subject to quality impact assessments where appropriate, and responsibilities for delivery of savings should be clearly assigned.					

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 168

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
The Authority should consider opportunities to improve risk management by: - consolidating very similar risks and actions to reduce duplication in the Corporate Risk Register - adding environmental risks to the risk scoring criteria - providing more comprehensive information to the Audit Committee, such as residual risk scores and action owners/timelines for implementation - mapping corporate risks to the strategic objectives outlined in the Community Risk Management Plan	Improvement	Governance	Review of the Corporate Risk Register and risk management papers presented to Audit Committee	- Duplication of risks could reduce effectiveness of oversight - Environmental risks are increasingly relevant in the context of climate change - Audit Committee members would have improved understanding of risks and enhanced assurance - Mapping of risks to objectives supports effective risk management and informed decision making.	Noted, the corporate risk register is based on NFCC national best practice and whilst it can look like duplication, we have adopted sector best practice. As part of our ongoing review of our risk management processes we will consider the proposals.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 169

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 The Authority should consider enhancing the level of detail within Internal Audit progress reports to the Audit Committee, to include details of recommended actions, management's response, timelines for completion of actions and confirmation that actions have been completed.	Improvement	Governance	Review of Internal Audit progress reports	It is good practice to include this information, to support effective scrutiny and increase assurance over the Authority's internal control framework.	Noted, we will discuss this with the Internal Audit team.
IR4 We recommend that the Authority considers expanding the quarterly financial update to the Resources Committee to include: - year to date revenue outturn against year-to-date budgets, and reasons for variances - details of the best-case and worst-case outcomes against the revenue and capital budgets (and the basis for these estimates)	Improvement	Governance	Review of quarterly financial update reports	Reporting the year-to-date revenue outturn against the year-to-date budget would help identify areas where current performance is not in line with the profiled budget and help to highlight areas of financial risk . It is good practice to include scenario information for the forecast outturn, as this provides information about potential financial risks	Noted, we will consider developing the monitoring reports further to provide additional analysis.
IR5 The Authority should consider introducing referencing of meeting agendas and papers to the Authority's strategic objectives as outlined in the CRMP.	Improvement	Governance	Review of meeting agendas and papers	It is good practice for meeting agendas and papers to be mapped to strategic objectives, providing additional context and clarity and supporting committee members to make informed decisions that contribute to the overall strategy of the Authority.	Noted, we are continually reviewing the information we provide to our Members and will consider this improvement recommendation.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 170

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6 Terms of Reference for every Committee should include quoracy conditions and should be reviewed at least every three years.	Improvement	Governance	Review of Committee Terms of Reference	It is good practice for these documents to be reviewed at least every three years so that they remain appropriate for the Authority's needs.	Noted, these have now recently been updated to include this.
IR7 The Authority should take action to review policies and procedures (including Service Orders) where this is identified as being overdue. Following review, policies and procedures should be approved by the Authority or appropriate Committee, even where no changes have been made.	Improvement	Governance	Review of Policies, Procedures and Service Orders	It is good practice for these documents to be reviewed at least every three years so that they remain appropriate for the Authority's needs.	Noted, out of date policies and procedures will be brought up to date.
IR8 The Authority should establish, implement and embed procedures to provide assurance that Contract Standing Orders are adhered to in all instances.	Improvement	Governance	Internal Audit Report – Accounts Payable Progress update from Management	Non-compliance with Contract Standing Orders could lead to legal, financial, and reputational risks for the Authority, as well as risks to operational delivery and potential fraud.	Noted, improvements are being put in place now resourcing issues in the procurement team have been resolved.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 171

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR9 The Authority should consider including information on performance against the capital plan in the quarterly performance monitoring reports provided to the Performance Committee. The Authority should continue to seek to mitigate slippage and delays in the delivery of the capital programme	Improvement	Improving Economy, Efficiency and Effectiveness	Review of quarterly performance reports	Inclusion of performance against the capital budget in the quarterly performance report, in addition to performance against the revenue budget will increase transparency and visibility of the substantial capital programme planned over the next five years. Failure to identify and address slippage in delivery may have negative operational or financial impacts.	Noted, the performance report includes revenue performance and not capital and these are reported in detail to the Resources Committee and the CFA. We will review the performance report to ensure consistency.
IR10 The Authority should implement a framework for structured and consistently applied contract management. Contract management for key service contracts such as the North West Fire Control collaboration and PFI agreements should be prioritised. Arrangements should include: - regular reviews of existing contracts to safeguard the achievement of value for money and compliance with legal and regulatory requirements - monitoring of contract performance and deliverables against key performance indicators and other measures to identify and resolve service performance issues - reporting of contract management activity to the Authority or Performance Committee	Improvement	Improving Economy, Efficiency and Effectiveness	Review of Procurement Policy Discussion with officers Review of performance reports	To ensure that the Authority can realise the expected benefits from its key contracts, and minimise risks to service delivery, consistent application of contract management activity is essential, alongside strategic oversight of key contracts and their performance.	Noted, we will be reviewing our Contract Management arrangements against best practice during 2025/26 as identified in our Procurement Strategy.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Authority

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

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

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

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

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice (the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Authority's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Authority's auditors as follows:

- Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and are required to be considered by the body and responded to publicly.
- Key recommendations – actions which should be taken by the Authority where significant weaknesses are identified within arrangements.
- Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Authority's arrangements.

Appendix C:

Follow-up of previous recommendations

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	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
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.	Key	March 2024	The Authority has an approved budget in place for 2024/25 which is part of the refreshed the MTFS which covers the five years to 2028/29. Budget gaps identified in 2024/25 and 2025/26 are planned to be funded by reducing the revenues contribution to capital expenditure. The budget gap identified for 2026/27 is planned to be mitigated through efficiency savings, which are currently being identified, developed and costed in preparation for implementation. The MTFS for 2024/25 to 2028/29 forecasts that the Authority's general reserves will be maintained at a level of at least £1 million above the minimum balance determined as being appropriate by the Chief Finance Officer, £3.75 million (approximately 5% of the net revenue requirement).	Yes	No
2	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	March 2024	The capital plan for 2023/24 was originally £10.1 million but slippage from 2022/23 led to the plan being revised upwards to £11.8 million. During 2023/24, the programme was revised downwards to £7.8 million through slippage of £4 million of projects into 2024/25. The Authority delivered £6 million of the revised plan, with total slippage from 2023/24 to 2024/25 amounting to £5.8 million, 49% of the planned programme for 2023/24.	No	Yes – see IR8
3	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.	Improvement	March 2024	We identified some key policies and procedures which have not been updated since 2018, including: - Financial Regulations - Scheme of Delegation - Contract Standing Orders (although thresholds were reviewed in 2022) - Service Order - Gifts and Hospitality Protocol for Officers	Yes	Yes – see IR7

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 The Authority should include legal implications as a category for consideration as part of its Committee paper standard reporting.	Improvement	March 2024	Legal implications were added to the standard template for papers in late 2023/24.	Yes	No
5 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 should align with scoring criteria and there is clarity in terms of its risk appetite domains.	Improvement	March 2024	Environmental impact of risks is not considered in risk scoring criteria within the Risk Management Procedure taken to the Audit Committee in March 2024. The Risk Management Procedure defines risk appetites as follows: "moderate" risks as those with an inherent risk of 4 or less, "intolerable" risks as those with inherent risk score of 15 or higher, and scores between 5-15 as "substantial".	Partly	Yes – see IR2
6 The Authority should ensure that its key governance policies are reviewed and updated on at least a biennial basis.	Improvement	March 2024	We identified some key policies and procedures which have not been updated since 2018, including: • Financial Regulations • Scheme of Delegation • Contract Standing Orders (although thresholds were reviewed in 2022) • Service Order - Gifts and Hospitality Protocol for Officers	No	Yes – see IR7

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendation		Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7	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	March 2024	We did not identify any evidence of personal email address or devices being used for Authority business.	Yes	No
8	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	March 2024	An updated Procurement Strategy 2024-2027 was approved by the Resources Committee in March 2024. The Strategy makes clear reference to the Authority's core priorities in the Annual Service Plan, the Core Values and Code of Ethics. No examples of misalignment with the MTFS or other enabling plans were identified from review.	Yes	No
10	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	March 2024	The Environmental Sustainability Plan is still in draft form, but due to be submitted for approval in 2024.	No	We have not repeated the recommendation. We will follow up implementation as part of our 2024/25 audit work.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 26 September 2024

Internal Audit Monitoring Report

(Appendix 1)

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 2024/25.

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
06 September 2024**

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2024/25 was approved by the Audit Committee in March 2024. 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 2024 to 6 September 2024 was in accordance with the agreed audit plan. To date, 14 days have been spent this financial year on completing the 2024/25 plan, equating to 20% of the total planned audit activity of 70 days. The table below shows the current status of all audit work.

Use of this report

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

Audit review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
Governance and business effectiveness					
Overall governance, risk management and control arrangements	3	1	2	Ongoing	
Service delivery and support					
Cyber security	15	0	15	Not started	N/A
Implementation of learning from national incidents	15	8	7	Progressing: Scope agreed and testing started	N/A
Business processes					
Accounts payable	9	0	9	Not started	N/A

Accounts receivable	9	0	9	Not started	N/A
General ledger	6	0	6	Not started	N/A
<i>Follow up audit activity</i>					
District Planning Activity	2	1.5	0.5	Final	N/A
<i>Other components of the audit plan</i>					
Management activity	10	3	7	Ongoing	
National Fraud Initiative	1	0.5	0.5		
Total	70	14	56		

3 Extracts from Audit Reports

3.1 Extracts of assurance summaries are shown below

District Planning Activity: Follow Up

Status of agreed actions				
Original audit assurance rating	Extreme	High	Medium	Low
 Limited <i>See Appendix A for Rating Definitions</i>	Number of actions			
	Implemented	-	2	2
	Superseded	-	-	-
	Progressing	-	-	-
	Not implemented	-	-	-
The Lancashire Fire and Rescue Service (LFRS) has successfully implemented the Service Order 03 – Performance Management Policy and the District Plan Compilation Guide. These documents provide a comprehensive framework for effectively managing district plans. The Annual Service Plan and the Risk Management Plan have been updated to include detailed processes for populating and delivering district plans, as well as a thorough approach to identifying district risks. Modifications to the district plans have resulted in a more comprehensive strategy, outlining the identification of risks and the measures LFRS intends to take to mitigate them. Each risk is accompanied by a clear narrative describing the actions to be taken to reduce it. The review of the 2024-25 district plans indicates that intelligence profiling and district plan completion are now conducted in a timely fashion, ensuring that the information they contain is both accurate and current. Furthermore, the District Quarterly Performance Report and the Measuring Progress Reports (Quarterly) are now effectively integrated with the district plans. LFRS engages in detailed analysis during intelligence profiling and the development of district plans, reviewing patterns and changes from previous years. This analysis supports continuous improvement and the making of strategic decisions that are relevant and tailored to the needs of the district. The result is a set of district plans that are not only relevant and up-to-date but also accurately reflect the specific requirements of the district.				

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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