

Public Document Pack

Lancashire Combined Fire Authority Audit Committee

Wednesday, 16 July 2025 in Main Conference Room, Service Headquarters, Fulwood commencing at 2.00 pm.

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 - 4)**
4. **Internal Audit Annual Report (Pages 5 - 18)**
5. **Enquiries of Management (Pages 19 - 48)**
6. **Annual Governance Statement (Pages 49 - 96)**
7. **Accounting Estimates 2024-25 (Pages 97 - 112)**
8. **Financial Statements Updates 2024-25**
Verbal Update
9. **External Audit Plan 2024-25 (Pages 113 - 162)**
10. **Internal Charter and Mandate (Pages 163 - 174)**
11. **Internal Audit Monitoring Report (Pages 175 - 180)**
12. **Risk Management (Pages 181 - 190)**

13. **Contract Standing Orders and Procurement Update (Pages 191 - 224)**

14. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **25 September 2025** in the Main Conference Room, Service Headquarters, Fulwood.

Further meetings are: scheduled for 27 November 2025
 proposed for 26 March 2026

15. **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**

**Thursday, 27 March 2025, at 10.00 am in the Main Conference Room,
Service Headquarters, Fulwood.**

Minutes

Present:	
Councillors	
S Clarke	
M Clifford (Chair)	
N Hennessy	
F Jackson	
A Kay	
J Shedwick (Vice-Chair)	

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
L Rix, Internal Audit, Lancashire County Council L Luddington, External Audit, Grant Thornton C Wallace, External Audit, Grant Thornton K Wilkie, Fire Brigades Union

28/24	Apologies for Absence
	Apologies were received from County Councillor J Singleton and Councillor J Hugo with County Councillor N Hennessy attending as substitute. The Chair welcomed County Councillor A Kay back to the authority and welcomed External Auditors Liz Luddington and Curtis Wallace to the meeting.
29/24	Disclosure of Pecuniary and Non-Pecuniary Interests
	None received.
30/24	Minutes of the Previous Meeting
	Resolved: - That the Minutes of the last meeting held on 28 November 2024 be

	confirmed as a correct record and signed by the Chair.
31/24	Internal Audit Monitoring Report
	<p>The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period 01 April 2024 to 04 March 2025 was presented by Laura Rix, Senior Auditor.</p> <p>Members were informed that the Cybersecurity Internal Audit had now been completed and an overall assurance rating of moderate achieved. Overall, the audit had been positive, Lancashire Fire and Rescue Service (LFRS) attained its Cyber Essentials Plus accreditation in August 2024, an advanced level of the UK Government-backed Cyber Essentials scheme. The ICT service took part in regular online meetings as part of the National Fire Chief Councils (NFCC) cyber group which provided a platform for shared learning and collaboration with fellow services. LFRS was recognised as the 'Cyber Team of the Year' by the NFCC in 2024. Some improvement actions were identified, and the report would be shared with members before the next meeting.</p> <p>To date, 63.5 days had been spent this financial year on completion of the 2024/25 plan, equating to 91% of the total planned audit activity of 70 days. The table in the report showed the current status of all audit work, it was noted that since the report was published all audit activity had been completed.</p> <p>In response to a question from the Chair, Laura Rix confirmed that all actions within the report had been completed. County Councillor N Hennessy asked if an updated report would be brought to the next Audit Committee meeting showing all actions had been completed, Laura Rix confirmed that it would.</p> <p>County Councillor J Shedwick thanked Laura Rix for her report and remarked that moderate could be perceived in a number of ways. Laura Rix confirmed that the outcome had been rated as moderate, but it was a good positive report.</p> <p>In response to a question from the Chair in relation to Cybersecurity testing, Laura Rix confirmed that testing had been done throughout the service.</p> <p>Resolved: - That the Committee noted the report.</p>
32/24	Internal Audit Plan
	<p>The Internal Auditors were required to produce an Annual Audit Plan, which set out areas they intended to review during the year. The plan amounted to a total resource of 70 audit days in 2025/26 which equated to an overall cost of £28,266 (the daily rate for auditors would be £380 and audit managers £450), which was consistent with previous years.</p> <p>A proposed plan was presented by Laura Rix, Senior Auditor.</p> <p>The Internal Audit annual plan was a critical tool for ensuring that Internal Audit effectively supported the organisation's objectives. By adhering to the new Global</p>

	<p>Internal Audit Standards, the plan ensured a risk-based, strategically aligned approach that enhanced governance, risk management, and control processes. Internal Audit focus should be proportionate and appropriately aligned.</p> <p>The plan would remain fluid and subject to ongoing review and amendment in consultation with senior management within the Lancashire Fire and Rescue Service, to ensure it continued to reflect the organisation's needs and risks. Any significant amendments to the plan would be reported to the Audit Committee.</p> <p>The deployment of audit resources was proposed as follows: -</p> <table data-bbox="276 562 1161 779"> <tr> <td>Governance and business effectiveness</td> <td>3 days</td> </tr> <tr> <td>Service delivery and support</td> <td>22 days</td> </tr> <tr> <td>Business Processes</td> <td>30 days</td> </tr> <tr> <td>Other components of the audit plan</td> <td>15 days</td> </tr> <tr> <td>Total</td> <td>70 days</td> </tr> </table> <p>It was noted that, for 2025/26, the assurance level 'moderate assurance' had changed to 'reasonable assurance' following feedback.</p> <p>In response to a question from the Chair in relation to the audit work being completed within the proposed 70 days, Laura Rix confirmed that this was achievable but could narrow the scope and would require flexibility.</p> <p>Members noted that the audit charter that was usually presented at this committee would be presented at the next Audit Committee as it was being revised, and a progress report would also be brought outlining how those changes would affect the committee.</p> <p>In response to a question from County Councillor N Hennessy in relation to any identified changes as part of the audit charter review, Laura Rix confirmed that there would be changes to the way that equality assessments were completed with the Audit Committee more involved in this. The review would be completed next year.</p> <p>Resolved: - That the Audit Committee agreed the Internal Audit Plan for 2025/26.</p>	Governance and business effectiveness	3 days	Service delivery and support	22 days	Business Processes	30 days	Other components of the audit plan	15 days	Total	70 days
Governance and business effectiveness	3 days										
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Other components of the audit plan	15 days										
Total	70 days										
33/24	<p>External Audit - Audit Progress Report and Sector Update</p>										
	<p>Liz Luddington, Key Audit Partner introduced herself and Curtis Wallace as the services new External Audit leads. Liz Luddington presented the Audit Progress and Sector Update report to the Committee which provided Members with the progress in delivering Grant Thornton's responsibilities as the Service's external auditors. The report also included a summary of relevant emerging national issues and developments.</p> <p>In response to a question from County Councillor J Shedwick in relation to potential delays relating to the pension scheme, Liz Luddington confirmed that assurances would need to be obtained which could take time. County Councillor S Clarke asked for assurance that the Audit would be ready in November. Liz Luddington</p>										

	<p>confirmed that this was the aim and if required the report could come to the committee without the IAS19 assurances however they could not be signed off without this.</p> <p>In response to a question from County Councillor S Clarke in relation to the External Audit fees, Liz Luddington confirmed that the fees were set by the Public Sector Audit Appointments (PSAA) as a scale fee nationally. She explained that the complexity of Audit over the last 10 years had increased but there had not been an increase in fees until two years ago. The Chair added that there would be no additional costs incurred above the fee.</p> <p>County Councillor N Hennessy remarked that she was pleased to see details included in the report of webinars relating to devolution. Liz Luddington confirmed that she would send details of webinars to the Director of Corporate Services (DoCS) and the Chair.</p> <p>Resolved: - That the Committee noted the report.</p>
34/24	Date of Next Meeting
	<p>It was noted that the next meeting of the Committee was scheduled on Thursday 24 July 2025 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood but this meeting would be brought forward to June and the details published.</p> <p>Further meeting dates were noted for 25 September 2025 and 27 November 2025.</p>

M Nolan
Clerk to CFA

LFRS HQ
Fulwood

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 16 July 2025

Internal Audit Annual Report 2024/25

(Appendix A refers)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

The Internal Audit Annual Report summarises the work that the Internal Audit Service undertook during 2024/25 and the key themes arising from it. It provides 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 Audit can provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. Further details are provided in the report attached as Appendix A.

Recommendation(s)

The Committee is asked to note and endorse the report.

Information

As contained in the Executive Summary above and the attached appendix.

Financial Implications

None

Legal Implications

None

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

Appendix A: Annual report of the Head of Internal Audit for the year ended 31 March 2025

Lancashire Combined Fire Authority

Internal Audit Service

**Annual report of the Head of Internal Audit for the year
ended 31 March 2025**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work undertaken by the Internal Audit Service during 2024/25 and highlights the key themes related to risk management, governance, and internal control.

The role of internal audit

- 1.2 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control and governance processes. Public Sector Internal Audit Standards (PSIAS) require the head of internal audit to provide an opinion on the frameworks of governance, risk management and control of Lancashire Combined Fire Authority and a written report to those charged with governance, timed to support the annual governance statement.
- 1.3 This report is based upon the work the Internal Audit Service performed during 2024/25 in relation to the 2024/25 audit plan, approved by the Audit Committee in March 2024.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1. The levels of assurance the Internal Audit Service provides are set out in Annex 2.
- 1.5 The Internal Audit Service plan is delivered and developed in accordance with its Internal Audit Charter. A revised charter for 2025/26, reflecting the Global Internal Audit Standards, accompanies this report.

Acknowledgements

- 1.6 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff of Lancashire Fire and Rescue Service in the course of our work during the year.

Andrew Dalecki
Head of Internal Audit, Lancashire County Council
June 2025

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 Overall, I can provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's framework of governance, risk management and control.
- 2.2 Systems and processes are generally working effectively and ensure staff are aware of correct processes. We have discussed the issues we raised during the year with senior managers and agreed action plans. The table in 3.1 details the audit assignments completed with the relevant assurance levels
- 2.3 In forming my opinion, I have considered the work undertaken by the Internal Audit Service throughout the year as well as information available from less formal sources than planned audit engagements.

Wider sources of assurance available to the Combined Fire Authority

- 2.4 Assurance is provided by Grant Thornton as the Authority's external auditor. Grant Thornton issued an unqualified opinion on the 2023/24 financial statements on 29 November 2024. They also confirmed that there were no significant weaknesses in the arrangements for financial sustainability, governance and economy, efficiency and effectiveness in the use of resources.
- 2.5 His Majesty's Inspector of Fire and Rescue Services and Constabulary inspection of the service's effectiveness, efficiency and how well it looks after its people has recently been undertaken. At the time of writing the report the service was awaiting the outcome.
- 2.6 Assurance over the operation of the Pension Fund has been obtained from work conducted directly by Lancashire County Council's Internal Audit Service. Additionally, assurance has been obtained from internal audit work undertaken at the Local Pension Partnership (Administration) Ltd and Local Pension Partnership (Investments) Ltd. Both entities have also received an independent auditor's view of their controls through Audit and Assurance Faculty assurance reviews conducted by KPMG.

3 Internal audit work undertaken

- 3.1 The table below shows the status of each audit completed during the year along with the corresponding assurance opinion. It shows that all 70 budgeted days have been used to deliver the internal audit plan. All 2024/25 work has been completed.
- 3.2 During the year, no matters have arisen that impacted on the independence of the Internal Audit service and there have been no inappropriate scope or resource limitations on internal audit work.

Audit review	Audit days			Status	Assurance opinion
	Planned	Actual	Variation		
<i>Governance and business effectiveness</i>					
Overall governance, risk management and control arrangements	3	3	0	Completed	
<i>Service delivery and support</i>					
Cyber security	15	14.5	0.5	Final	● Moderate March 2025
Implementation of learning from national incidents	15	15	0	Final	● Substantial November 2024
<i>Business processes</i>					
Accounts payable	9	9	0	Final	● Substantial April 2025
Accounts receivable	9	9	0	Final	● Substantial April 2025
General ledger	6	7	-1	Final	● Substantial April 2025
<i>Follow up audit activity</i>					
District planning activity	2	1.5	0.5	Final	Actions implemented
<i>Other components of the audit plan</i>					
Management activity	10	10	0	Ongoing	
National Fraud Initiative	1	1	0		
Total	70	70	0		

Follow up work

- 3.3 Under the Public Sector Internal Audit Standards, management is responsible for ensuring that agreed actions in audit reports are implemented. Internal Audit should obtain assurance that actions have been implemented as agreed or that senior management has accepted the risk of not taking action. All actions from the District Planning Activity audit had been implemented.

4 Extracts from Audit Reports

- 4.1 Extracts of assurance summaries are shown in Appendix A for the audits finalised since the March 2025 Audit Committee meeting.

5 Fraud/special investigations

- 5.1 There have been no incidences of fraud or irregularity brought to our attention that resulted from weakness in the control environment.

6 Implications for the Annual Governance Statement

- 6.1 In making its Annual Governance Statement the Combined Fire Authority should consider this report in relation to internal control, risk management and corporate governance.
- 6.2 We do not consider there are any matters arising from the audit work conducted during 2024/25 that require specific identification in the annual governance statement.

7 Internal audit quality assurance and improvement

Client satisfaction

- 7.1 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process for understanding how the audit was received and identifying areas of the audit process that can be improved.
- 7.2 In every case, our auditees have told us that they were satisfied overall with how we conducted our work. We also seek more detailed feedback on our audit planning, the audit process and reporting, our conduct, and the management and delivery of our service. While we received a limited number of questionnaire responses this year, however, in the feedback we did receive auditees have provided positive feedback across all these areas. No common themes emerged from the responses that indicated specific areas requiring improvement.

Ongoing and periodic assessments


- 7.4 In accordance with the PSIAS the Council's Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years as part of its Quality Assurance Framework.
- 7.5 The last external quality assessment was in February 2023 and the overall opinion was that the Internal Audit team "generally conforms" to the IIA

Standards. This is the same overall rating that the service achieved at the last assessment completed in November 2017 and is the highest of the three global grading definitions used in an EQA.

- 7.6 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and a post-audit file review process has been undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors. In 2025/26, we are working towards compliance with the Global Internal Audit Standards.
- 7.7 In addition, the service's methodology includes a step which requires the head of internal audit to read each report as it is finalised. This does not entail an additional detailed review and the auditors' reports remain theirs, using their own style and wording, but is intended to ensure that each assignment can be adequately understood and is effectively communicated.
- 7.8 The Internal Audit Service operates a hybrid working model; with staff primarily home-based but undertaking client site visits as required by the audit. Performance management and support arrangements are in place to facilitate this including agreeing delivery timescales with clients and identifying audits to be completed for each Committee meeting.

Accounts Payable

Overall assurance rating


Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

There is a robust governance framework supported by Financial Regulations, Contract Standing Orders, and a Scheme of Delegation, ensuring comprehensive financial management and decision-making processes. A report has recently been delivered enabling the Procurement Officer to resume monitoring and reporting on contract spend, ensuring compliance and value for money, this was an action in our prior year audit.


User access within the Oracle Fusion system is generally appropriate, although we recognise there is still some work to be done on fusion roles by Lancashire County Council (LCC) Digital Services, to ensure that users have no more than is required. The approval process for purchase requisitions is well-structured, with hierarchical limits ensuring thorough oversight. The holds process effectively resolves issues, ensuring payments are accurate and justified.

System controls in Oracle Fusion along with strict adherence to the issue of purchase orders effectively prevents duplicate payments. Our testing confirmed the effectiveness of these controls. Supplier management processes are transparent and accountable, with verification of supplier details and regular invoice and bank detail checks for high-value payments.

Performance in processing requisitions, purchase orders, and invoices is timely, though the lack of payment date information in reports limits full analysis. Addressing this data gap is essential for compliance with the new Procurement Act, which mandates stringent payment data requirements. Delivery of this report is being progressed by Lancashire County Council's Head of Service for Procurement and Contract Management.

The anti-fraud measures, including an anti-fraud and corruption policy, participation in the National Fraud Initiative, and an internal audit program, effectively mitigate fraud risks. The review did not identify significant weaknesses, confirming the effectiveness of the controls in place.

Accounts Receivables

Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	0	1

See Appendix A for Rating Definitions

There is a debt management policy in place which is being complied with but would benefit from a review, in particular the thresholds for write off and debt recovery including referral to debt collection agency and legal action.

Access to roles within the Fusion system is strictly controlled and regularly reviewed, and there is separation of duties through operational procedures. Invoices are raised in accurately and in a timely manner based on Invoice Request Forms (IRFs).


Testing showed reminders were generated and issued as expected, although reminder history for three paid invoices was not visible within the Fusion system. This has been escalated to LCC Digital Services for investigation. Credit memos and write-offs follow strict approval rules, with an audit trail ensuring higher-level approval. The write-off process is well-structured, adhering to the debt policy, with robust system access controls and approval workflows.

Regular performance monitoring manages income recovery, debt levels, write-offs, and cancellations. The Aged Debt Report is reviewed by the Head of Finance and discussed at quarterly budget meetings. Current monitoring and reporting processes ensure debt management remains a priority.

Overall, the processes are well-documented and transparent, with effective debt management, invoice processing, and system access controls.

General Ledger

Overall assurance rating – General Ledger


Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

There is a service level agreement (SLA) for the provision of financial services by LCC to Lancashire Fire and Rescue (LFRS) for the period from 1 April 2024 to 31 March 2025. There were some delays in signing the SLA due to mid-year changes in service provision, the agreement was signed on 7 January 2025.

There remain some reports unavailable in Oracle Fusion that were previously accessible in R12, this is being addressed through development work on priority reports and the provision of data directly from LCC Digital Services on request.

Virements are managed in compliance with financial regulations, with appropriate approvals and documentation. Feeder file processes are well-controlled, with no significant issues detected. Journal entries are accurately recorded, with robust controls ensuring no unposted, unbalanced, or duplicated entries. A journal control sheet is maintained to log approvals, which are managed outside the Fusion system.

Reconciliations of control and suspense accounts are conducted regularly, with discrepancies promptly addressed. These reconciliations are subject to periodic supervisory review, ensuring the accuracy and reliability of financial records.

There is a robust system for monitoring budgets, with regular reports that include detailed variance analysis and explanations. Budget monitoring reports are presented to various committees and boards, ensuring thorough oversight and accountability. We have suggested an enhancement to further improve the clarity and usefulness of budget holder reports.

Overall, the internal controls and procedures are effective in maintaining the integrity of the general ledger. However, improvements in system access management and the availability of reports in Oracle Fusion are necessary to enhance financial reporting and analysis and this work remains ongoing but lies with LCC.

Annex 1: Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The scope of internal audit encompasses all of the governance, risk management and control processes of the Combined Fire Authority including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Combined Fire Authority has taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2024/25.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole.
- 6 Internal auditors cannot be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However, the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Team, which either accepts and implements the advice or accepts the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

- 9 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with the (PSIAS) and the results of the quality assurance and improvement programme.
- 10 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

Basis of our assessment

- 11 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the improvements that we proposed and that have been accepted by management.

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work.

Limitations on the assurance that internal audit can provide

- 13 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 14 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 15 This report has been prepared solely for the Combined Fire Authority. This report forms part of a continuing dialogue between the Internal Audit Service, senior officers within Lancashire Fire and Rescue Service and the Audit Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 16 We acknowledge that this report may be made available to other parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Annex 2: Audit assurance levels and classification of agreed actions

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*

**Lancashire Combined Fire Authority
Audit Committee**

Meeting to be held on 16 July 2025

**External Audit – Understanding How the Audit Committee Gains
Assurance from Management**

(Appendix 1 refers)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulations. They are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud.

International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements. In addition to the request to management, they also will need to gain an understanding of how those charged with governance maintain oversight of the above processes.

As such the auditors have written to management (the Executive Board) requesting the relevant information. A response has been prepared by the Executive Board, attached as Appendix 1.

Decision Required

The Committee are asked to note and endorse the response submitted by the Executive Board.

Information

As stated in the Executive Summary

Financial Implications

None

Legal Implications

None

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

Appendix 1: Enquiries of Management

Informing the audit risk assessment for Lancashire Combined Fire Authority 2024/25

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Liz A Luddington
Public Sector Audit Director
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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 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Lancashire Combined Fire Authority's external auditors and Lancashire Combined Fire Authority's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Lancashire Combined Fire Authority's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	International Accounting Standard 19 (IAS19) valuations. Local Government Pension Scheme IAS19 asset valuations. Property, Plant and Equipment valuations. IFRS 16 adoption
2. Have you considered the appropriateness of the accounting policies adopted by Lancashire Combined Fire Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes, accounting policy review carried out in April 2024 – but no policy changes required. No
3. Is there any use of financial instruments, including derivatives? If so, please explain.	No
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No – an impairment review is being carried out as part of the annual valuation exercise.
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Lancashire Combined Fire Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Analysis of legal fees paid during 2024 available at interim.</p> <p>Solicitors are used to deal with Property matters, Insurance matters and Prosecutions.</p> <p>Details of contingent liabilities disclosed by directors and the in-house solicitor will be available at year end audit – but nothing material exists at the present time.</p>

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General Enquiries of Management

Question	Management response
9. Have any of the Lancashire Combined Fire Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? 28	We have not used advisors to deal with any legal issues. Advisors are typically used to support Property issues (QS/architects/BREEAM etc)
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	No

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Lancashire Combined Fire Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Lancashire Combined Fire Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has Lancashire Combined Fire Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Lancashire Combined Fire Authority's risk management processes link to financial reporting?</p>	<p>Due to the budget monitoring measures in place, and the reconciliation between DFM and the accounts, we assess ourselves to be at extremely low risk of the financial statements being materially misstated. Budgets are reviewed in detail at least quarterly with Finance/Dept Head/Director. Bi-annual departmental fraud risk assessments submitted to Director of Corporate Services.</p> <p>During the year, quarterly check for duplicated Accounts Payable transactions. Participation in the National Fraud Initiative, whistle blowing and anti-fraud policies. NFI checks ongoing, but nothing reportable as part of the audit yet.</p> <p>Financial risk is assessed as part of budget setting process and incorporated into Reserves and Balances Policy. Reduction in funding is one of the key risks on the corporate risk register.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Potential areas of risk identified (same as previous year):</p> <ul style="list-style-type: none"> • Duplicated payments • Bank mandate fraud • Payroll • Pensions <p>On that basis the Net Cost of Services and segmental reporting notes are most at risk of fraud.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Lancashire Combined Fire Authority as a whole, or within specific departments since 1 April 2024? If so, please provide details</p>	<p>None</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Via Audit Committee, i.e., Risk Management reported at each Audit Committee, outcomes of NFI considered by Audit Committee
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Lancashire Combined Fire Authority where fraud is more likely to occur?	<p>Potential areas of risk identified (same as previous year):</p> <ul style="list-style-type: none"> • Duplicated payments • Bank mandate fraud • Payroll • Pensions <p>No</p> <p>For the above risk areas – Headquarters departments (Finance, Procurement, HR/payroll), Local Pension Partnership (pensions provider), Greater Manchester Combined Authority (payroll provider)</p>
6. What processes do Lancashire Combined Fire Authority have in place to identify and respond to risks of fraud?	Quarterly check for duplicate Accounts Payable transactions, participation in NFI, whistle blowing and anti-fraud policies, induction process, employee code of conduct, agreed set of organisational values – STRIVE. Internal audit checks.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Lancashire Combined Fire Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Strong control environment with appropriate internal controls, segregation of duties and financial reporting analysis. We use internal audit annual reviews, in particular for our key financial systems. These reviews give substantial assurance.</p> <p>N/A, strong controls in place.</p> <p>Quarterly budget monitoring review carried out with budget holder, director and head of finance. Overall financial position reported to Exec Board and Resources Committee roughly quarterly – differences between previous reports are reviewed and explained.</p> <p>No</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No, not for material items – the size of the budget and the granular level of reporting make misreporting unlikely.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Lancashire Combined Fire Authority communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Induction process, employee code of conduct, agreed set of organisational values – STRIVE. Contractor terms and conditions.</p> <p>Whistle blowing & anti-fraud policies are on the intranet. They can also discuss with their manager or the Finance department.</p> <p>They are expected to report anything that doesn't 'feel right', so it can be investigated. No significant issues reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Segregation of duties exists for Treasury activities. Due to this, we do not consider that we have any high-risk posts.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None</p> <p>Relevant disclosures requested and controls put in place where necessary.</p>

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Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>In the event of a fraud, contact would be made with the Chair and vice-chair of audit committee. Updates would be reported at the next available meeting.</p> <p>Internal audit review reports are presented to Audit Committee at each meeting.</p> <p>None identified.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Lancashire Combined Fire Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Lancashire Combined Fire Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Existence of the in-house solicitor and governance role of the Clerk to the CFA to provide guidance & advice.</p> <p>Prevention - Data protection policies and procedures; Environmental & H&S policies; HR policies Detection - Whistle blowing/anti fraud policies.</p> <p>No</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal audit reviews and the annual governance report. Existence of the in-house solicitor and governance role of the Clerk to the CFA.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Will be reviewing contingent liability position (& note) for all previously reported items. We request details of known items from Directors and the solicitor at the end of March. We review all Employee Liability and Public Liability insurance outstanding claims.</p> <p>There is an ongoing mesothelioma case but the exposure to the CFA is capped so would not materially impact on the financial statements.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Lancashire Combined Fire Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>We request details of known items from Directors and the solicitor at the end of March. We review all EL/PL insurance outstanding claims. We also review the legal fees spend to identify any ongoing cases.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>

Related Parties

Matters in relation to Related Parties

Lancashire Combined Fire Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Lancashire Combined Fire Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Lancashire Combined Fire Authority's 2024/25 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Lancashire Combined Fire Authority <p>whether Lancashire Combined Fire Authority has entered into or plans to enter into any transactions with these related parties</p> <p>the type and purpose of these transactions</p>	<p>There are no related party transactions relating to senior officers. CFA members constituent councils have business rates transactions, precepts etc., these will be gathered for evidence as part of the year end Working Papers.</p>
<p>2. What controls does Lancashire Combined Fire Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>We issue a questionnaire to all directors and CFA members at the end of March each year and analyse the disclosed organisations against Accounts Payable / Accounts Receivable transactions.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Significant transactions would largely be the precepts (Council Tax and Business Rates) income coming into LFRS – this is subject to the budget setting process and administered by LCC.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Director and s151 officer approval before approving significant transactions.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 of accounting will apply where the body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Lancashire Combined Fire Authority will no longer continue?</p>	<p>The annual budget setting process will identify whether we are able to continue to operate in the longer term, this includes our ability to set a balanced short and medium term budget, our assessment of the adequacy of reserves to meet short and medium term commitments, and the assessment of the robustness of our budget assumptions.</p> <p>The s151 officer has been able to set a balanced budget for 2024/25 budget and MTFS for the 5 year period, negating the need for an unbalanced budget report to members in line with Section 114 of the Local Government Finance Act 1988 (England and Wales).</p> <p>The authority's forward financial planning arrangements indicate that the authority will be able to meet its obligations in the foreseeable future.</p> <p>There are no significant doubts about the forward financial planning arrangements of the authority, leading to uncertainty as to the projected financial position for the foreseeable future, as indicated by the budget monitoring reports to the Resources Committee.</p> <p>In addition we produce an Annual Assurance Statement looking at operational, financial and governance issues which is reported to the Home Office, and this did not identify any significant gaps.</p> <p>His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in July 2022 graded the service:</p> <p>'good' at effectively keeping people safe and secure from fire and other risks; 'good' at efficiently keeping people safe and secure from fire and other risks; and 'good' at looking after its people.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	PP&E – valuation, impairment & depreciation Pensions – valuation of liability & underlying assets Expenditure accruals relating to backdated pensionability Implementation of IFRS16
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	Internal review of estimates and comparison to previous year position done by Head of Finance and DoCS. This will be reporting to Audit Committee.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&E, pensions) and comparison of assumptions and results between financial years.
4. How do management review the outcomes of previous accounting estimates?	Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	No changes made to the processes, however underlying assumptions are reviewed and potentially changed.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As per Q4 & Q7
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Audit committee will have the estimates and bases of calculation reported to them for approval before the final accounts are produced.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>Will issue question to directors, at the same time as requesting Related Party Transactions and Contingent Liability information at the end of March. Responses required before end of April.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The Audit Committee are provided with a report of the main accounting estimates.</p>

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings revaluations 46	Land and buildings are revalued on a rolling five year basis by a suitably qualified surveyor. As at 31 March 2025, Amcat Limited, an external organisation, using surveyors qualified by the Royal Institution of Chartered Surveyors, will carry out revaluations on the identified properties. All valuations are on the basis of depreciated replacement cost, with the exception of one property used as offices, valued at Existing Use Value.	Valuations are carried out in accordance with RICS guidance and the Code of Practice on Local Authority Accounting.	Yes, suitably qualified surveyor	Management consider the estimation uncertainty based on advice and discussions with independent valuation experts. Consistency and sensitivity are also assessed.	No
Depreciation	Depreciation is charged on those assets which have a finite useful life, in the year after acquisition:	The annual depreciation charge is compared to previous years, there is consideration of the age of assets in the asset	Independent external valuation experts are used.	The estimation uncertainty is considered through the regular re-assessment of an asset's useful life as part of the valuation programme. Based on advice and discussions with external independent	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Liabilities (LGPS & FF) Page 47	<p>The schemes liabilities, calculated by qualified actuaries (Mercers for LGPS, and Government Actuary Department (GAD) for FF schemes.</p> <p>For the LGPS liability the Projected Unit Credit (PUC) Method is used: This method allocates the present value of benefits into two parts: the actuarial accrued liability for past service and the normal cost for future service. It considers factors such as salary increases, inflation, and life expectancy to project future pension payments and discount them to present value.</p> <p>Similar to the LGPS, the FF scheme used the PUC method is used to calculate firefighter pension liabilities.</p>	<p>The schemes liabilities, calculated by qualified actuaries (Mercers for LGPS, and Government Actuary Department (GAD) for FF schemes). These calculations are based on complex judgements relating to the discount rates used, the projected increased rates of salaries and pensions, mortality rate assumptions, and expected returns on pension fund assets (for LGPS only). These assumptions, proposed by the actuaries as experts in their field, disclosed to management in advance of the year end valuations calculations, giving the opportunity</p>	Yes	<p>These assumptions and the subsequent movement in the liabilities, reviewed by management to check for reasonableness, with any queries referred to the actuaries for resolution.</p>	No



Lancashire Combined Fire Authority Audit Committee

Meeting to be held on 16 July 2025

Annual Governance Statement 2024/25

(Appendices A, B and C refer)

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

Executive Summary

The Authority is required to publish an Annual Governance Statement along with the Authority's financial statements following a self-assessment review of the effectiveness of the internal controls in place. The report and the statement set out the key elements of the Authority's governance framework, how these have been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

The overall conclusion of the Annual Governance Statement is that the system of internal controls is adequate, and that no significant governance issues have been identified.

The annual review of the Local Code of Governance has also been undertaken and is included for approval.

Recommendation

The Committee is asked to:

- Note and endorse the self-assessment (Appendix A) and the Annual Governance Statement (Appendix B) based on this and recommend that the Chairman of the Authority signs the Statement.
- Note and endorse the updated Local Code of Governance (Appendix C).

Background

1. The Lancashire Combined Fire Authority (CFA) remains committed to maintaining the highest standards of governance, transparency, and accountability in the delivery of its services. As part of this commitment, the Authority has undertaken a comprehensive review of its governance arrangements, including a self-assessment, an updated Annual Governance Statement, and a refreshed Local Code of Corporate Governance.
2. The self-assessment (Appendix A) evaluates the Authority's governance framework against the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Solace Framework: *Delivering Good Governance in Local Government (2016)*. It confirms that the Authority's arrangements are robust, with all key elements assessed as "Good." These

include ethical standards, legal compliance, stakeholder engagement, risk management, and performance monitoring.

3. The Annual Governance Statement (Appendix B) provides a detailed account of how the Authority's governance framework has operated during the year ending 31 March 2024. It outlines the systems and processes in place to ensure effective decision-making, risk management, and service delivery, and confirms that the Authority has met its statutory obligations under the Accounts and Audit Regulations 2015.
4. The Statement highlights the Authority's alignment with the CIPFA/Solace principles and confirms that the governance framework has been effective throughout the year. It also reflects on the outcomes of internal and external audits, including the positive findings from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), which rated the Service as "Outstanding" for culture and values and "Good" in all other categories.
5. The updated Local Code of Corporate Governance (Appendix C) sets out the Authority's commitment to the principles of good governance. It provides a structured framework for how the Authority behaves with integrity, engages stakeholders, defines outcomes, manages performance, and ensures transparency and accountability.
6. A key enhancement in the updated Code is the explicit commitment to an annual review of the Local Code itself—not just the governance arrangements. This ensures that the Code remains aligned with evolving best practice and continues to reflect the Authority's strategic priorities and operational realities.
7. The self-assessment and Annual Governance Statement both identify areas of strength and opportunities for further improvement. These include enhancing outcome measurement, embedding social value more deeply into procurement, strengthening public participation mechanisms, and clarifying governance arrangements for shared services.
8. The Authority has already taken steps to address these areas, including the development of a new performance management system, improvements to financial monitoring processes, and the establishment of an Organisational Assurance Team to oversee internal audits and preparedness.
9. Members are therefore asked to note and endorse the self-assessment (Appendix A) and the Annual Governance Statement (Appendix B), which together provide assurance that the Authority's governance arrangements are sound and continuously improving.
10. Members are also asked to note and endorse the updated Local Code of Corporate Governance (Appendix C), and to recommend that the Chairman of the Authority signs the Annual Governance Statement as a formal endorsement of the Authority's commitment to good governance.
11. Members are also asked to note the publication of *Delivering Good Governance in Local Government: Addendum (May 2025)* by CIPFA, which introduces updated guidance on the preparation and content of Annual Governance Statements. This addendum reflects the evolving expectations of good

governance in the public sector and places renewed emphasis on transparency, assurance, and the articulation of outcomes.

12. The Authority will ensure that its Annual Governance Statement (Appendix B) is reviewed and updated in line with this new guidance. Where appropriate, the Local Code of Corporate Governance (Appendix C) will also be revised to reflect the principles and expectations set out in the CIPFA Addendum. This will ensure that the Authority continues to demonstrate best practice and remains aligned with national standards in its governance reporting and assurance processes.

Financial Implications

13. As outlined in the report

Legal Implications

14. None

Business Risk Implications

15. None

Environmental Impact

16. None

Equality and Diversity Implications

17. None

Human Resource Implications

18. None

Local Government (Access to Information) Act 1985

List of background papers NA

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

Appendix A: Self-Assessment

Appendix B: Annual Governance Statement

Appendix C: Local Code of Governance

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Self Assessment

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interests and that these codes and policies are communicated effectively.</p>	<p>Good</p>	<p>Set of values agreed by the Authority - STRIVE</p> <p>Constitutional standing orders reviewed</p> <p>Member and employee codes of conduct</p> <p>Register of interests, and on-going declaration of these</p> <p>Register of gifts and hospitality</p> <p>Appropriately qualified Clerk to the Authority</p> <p>Anti-bribery and whistle-blowing policies in place</p> <p>Register of complaints and compliments</p> <p>Complaints against Members considered as a standing CFA item</p> <p>Minimal number of complaints</p> <p>No substantiated complaints against the service</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p>	<p>Good</p>	<p>All Committee and Authority reports contain section on financial implications. Legal implications are contained within the body of every report as appropriate.</p> <p>The Treasurer/Director of Corporate Services and Monitoring Officer examine all reports to the Authority and its committees to enable legal and financial implications to be considered and provision included where appropriate</p> <p>The Monitoring Officer and Treasurer/Director of Corporate Services attend Authority/Committee to provide advice as required.</p>
<p>Documenting a commitment to openness and acting in the public interest, and compliance with the principles of Data Transparency.</p>	<p>Good</p>	<p>Compliance with Transparency code</p> <p>Publication scheme on the website.</p> <p>Compliance with FOI requirements</p> <p>Pay Policy Statement approved by the full Authority and published on the service website</p> <p>Annual Report</p> <p>Annual Assurance Statement</p> <p>Public meetings</p> <p>Publication of information on website, including Committee agenda and minutes</p> <p>Information Management Strategy updated</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>	<p>Good</p>	<p>Comprehensive communication and consultations strategies in place</p> <p>Positive evidence of proposals being amended following outcomes of consultation</p> <p>Annual report</p> <p>Key documents published on internet</p> <p>Constructive dialogue with representative bodies</p> <p>Register of complaints and compliments, no substantiated complaints against the service</p> <p>Annual Assurance Statement available on the website</p> <p>The External Auditors Annual Audit Letter did not identify any issues</p> <p>Internal Audit provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control</p> <p>Recommendations from audit reviews implemented</p> <p>Awaiting outcome of latest HMICFRS Inspection, previous inspection rated the Service as Good in all categories, other than Outstanding in Culture. No major areas for improvement identified</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p> <p>Translating the vision into objectives for the authority and its partnerships.</p>	Good	<p>New Community Risk Management Plan agreed covering 2022/27</p> <p>Annual Service Plan, setting out Vision, Activities, Priorities and Values.</p> <p>KPIs identified for each of our priorities</p> <p>Suite of strategies/policies etc. regularly reviewed.</p> <p>Consultation and Communication Strategy setting out how we will consult with public and service users</p> <p>Assessment of compliance with National Framework</p> <p>Effective Corporate Programme Board arrangements, split into 5 areas:-</p> <ul style="list-style-type: none"> - Business Process Improvement Programme - Service Delivery Change Programme - Capital Projects Programme. - People Strategy - Risk Management <p>All major projects and reviews follow similar format and report to the Corporate Programme Board</p> <p>Terms of reference for all Programme Board items agreed at outset and delivery against these monitored on a quarterly basis</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality.</p>	<p>Good</p>	<p>Appropriate governance arrangements in place, CFA plus 5 Committees</p> <p>Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations</p> <p>Business Continuity Plan arrangements in place in respect of systems and information, including regular backing up and storage of data</p> <p>ICT Disaster Recovery Plan in place</p>

<p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>	<p>Good</p>	<p>Comprehensive performance management information presented to SMT/Performance Committee on a regular basis. A replacement Performance Management System is required</p> <p>KPIs agreed with monitoring arrangements in place</p> <p>Annual Report</p> <p>HMICFRS Inspection regime</p> <p>Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>The quarterly publication - Safety Health and Environment and Operational Assurance Performance Summary identifies learning from incidents etc</p> <p>External Audit review</p> <p>Comprehensive financial information reporting framework. An upgraded Finance System was implemented, this will further improve governance arrangements.</p> <p>Medium Term Financial Plan and balanced budget in place</p> <p>Service reviews identified to deliver savings</p> <p>Resources redirected into priority areas</p> <p>Consistently exceeded efficiency targets</p>
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KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.</p>	<p>Good</p>	<p>Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations</p> <p>Strategy Group meetings inform members of developments in a less formal manner</p> <p>Member/Officer protocol in place setting out respective roles and relationships etc</p> <p>Member champions covering:-</p> <ul style="list-style-type: none"> • Equality, Diversity and Inclusion • Community Safety • Road Safety • Health and Wellbeing <p>Job descriptions for all staff</p> <p>Regular briefing sessions before Committees and as and when required</p> <p>Induction/training provided to all members</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring the authority's financial management arrangements conform with the governance requirements of CIPFAs FM Code and the CIPFA Statement on the Role of the Chief financial Officer in Local Government and, where they do not, explain why and how they deliver the same impact.	Good	<p>Self-assessment against the CIPFA FM Code undertaken and reported to Audit Committee</p> <p>Self-assessment of the role of the Treasurer is compliant with the governance requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government</p> <p>Qualified Treasurer, sits on Exec Board and reports directly to Chief Fire Officer</p> <p>Regular appraisal, with updated process implemented</p> <p>Contract standing orders, financial regulations, budget holder instructions in place and regularly reviewed</p> <p>Comprehensive budget setting/monitoring arrangement in place, linked to corporate objectives and priorities. Budget is delegated appropriately and aligned with operational responsibility</p>
Ensuring effective arrangements are in place for the discharge of the monitoring officer function.	Good	<p>Clerk to the Authority is the monitoring officer</p> <p>Appropriately qualified/experienced</p> <p>Regular appraisal</p> <p>Procedural standing orders reviewed</p> <p>Scheme of delegation updated and agreed by Audit Committee</p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring effective arrangements are in place for the discharge of the head of paid service function.	Good	CFO is the head of paid service Regular appraisal with Chairman
Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	Good	Member Training and Development Committee All Members subject to a one to one to identify training and development needs. Specific Member training budget to address outcomes of this Senior Officers subject to appraisal system, including identification of training and development needs
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.	Good	Comprehensive Risk Management Strategy Corporate Risk Register Corporate Programme Board items include an assessment of risk Strategic Business Continuity Plan (BCP) in place and tested on a regular basis. Departmental Business Impact Assessments and Recovery Plans in place. Specific BCP training provided to Heads of Dept. Additional resilience built into ICT network Appropriate insurance arrangements

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.	Good	Anti-fraud policy Up to date Fraud risk assessment in place Full compliance with National Fraud Initiative
Ensuring the assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact.	Good	Internal Audit is outsourced to Lancashire County Council Internal Audit Charter in place Internal Audit Service Quality Assurance and Improvement Programme process agreed Lancashire County Council Internal Audit comply with CIPFA statement Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities.	Good	Audit Committee established and terms of reference agreed, covering core functions of an Audit Committee Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.	Good	<p>Audit Committee established</p> <p>All core functions of an Audit Committee are covered by the existing terms of reference</p> <p>Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority</p> <p>Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present</p> <p>No significant issue identified by External Auditor</p>
Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.	Good	<p>Statement of Intent signed with Lancashire Constabulary and NWAS</p> <p>Collaboration Group established, with regular reports to members</p>

<p>Staff resources are adequate in numbers and skills to deliver the service objectives. The roles and responsibilities of staff and members have been clearly defined and are understood, and appropriate guidance and training are in place.</p>	<p>Good</p>	<p>Workforce Development Strategy agreed</p> <p>Agreed establishment in line with approved budget. Agreed process for revising establishment.</p> <p>Job descriptions in place</p> <p>Appropriate recruitment checks undertaken</p> <p>Staff induction process in place, incorporating LearnPro module</p> <p>Code of conduct in place and provided to all staff as part of induction.</p> <p>Appropriate performance management arrangements Appraisal system in place, including identification of training and development needs</p> <p>Use of:-</p> <ul style="list-style-type: none"> • Coaching and Mentoring • Leadership Conferences <p>Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>Regular staff surveys undertaken, the outcome of this was published and, where relevant, acted upon</p> <p>Regular and programmed station staff visits by the Executive Team to meet and receive feedback from all staff</p>
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KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>'Star' awards in place where staff nominate 'star' colleagues who live our values, and based on a judging panel awards are given to staff (and publicised throughout the organisation)</p> <p>Updated Intranet incorporates social networking to connect staff across the service</p>
<p>There are adequate contingency procedures to ensure that services can be resumed in case of emergency.</p> <p>Contingency procedures are well communicated.</p>	Good	<p>Strategic BCP in place and tested on a regular basis. Departmental Business Impact Assessments and Recovery Plans in place. Specific BCP training provided to Heads of Dept</p> <p>BCP is considered as a standing item on SMT</p> <p>BCP plan tested on a regular basis, and amended as required</p> <p>Active member of Lancashire Resilience Forum</p> <p>Appropriate BCP arrangements in place in respect of systems and information,</p> <p>HMICFRS undertook a C-19 Thematic inspection which concluded that <i>"the service adapted and responded to the pandemic effectively..... In line with good governance, the service had business continuity plans in place. The service relied on the county LRF pandemic flu plan as it didn't have its own. These plans were activated."</i></p>

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Processes have been established to ensure that corporate and local service policies and procedures are implemented effectively and are periodically reviewed.	Good	<p>System of internal control established</p> <p>Policies and service orders are regularly reviewed, in line with an agreed timetable</p> <p>Internal audits over the year gave a Limited Assurance opinion on one audit, District Planning, and identified two high priority recommendations as part of this audit</p> <p>External audit reviews did not identify any significant weaknesses</p>

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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 Chartered Institute of Public Finance and Accountancy (CIPFA)/SOLACE Framework *Delivering Good Governance in Local Government Framework 2016*. Included within the Code are the following core principles:-

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

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at [Code of Corporate Governance | Lancashire Fire and Rescue Service](#)).

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 2025 and up to the date of approval of the 2024/25 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://www.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://www.lancsfireandrescue.org.uk);

- 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 2025-2026 | Lancashire Fire and Rescue Service](#);
- The Lancashire Combined Fire Authority's consultation strategy has been in place since the integrated risk management planning arrangements were introduced in 2003 [Consultation Strategy | Lancashire Fire and Rescue Service](#);
- 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 [Link to be added following Performance Committee on the 2nd July 2025].
- 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 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 such arrangements.
- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet.
- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements; and
- Comprehensive service review process in place, comprising external views in the form of HMICFRS Inspection review, External Audit reviews, Internal Audit

reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

Review of effectiveness

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

A statement of assurance was approved by the Authority in February 2025, 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 was undertaken in early 2025 and is expected to be reported in mid 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 was formed in 2024 and has 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 20224/25 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, Auditors of fire authorities in the UK have specific legal responsibilities under the Local Audit and Accountability Act 2014. Under Section 20(1)(c) of the Local Audit and Accountability Act 2014, auditors are required to assess whether fire authorities have made proper arrangements for securing economy, efficiency, and effectiveness in their use of resources. The Code of Audit Practice, issued by the National Audit Office (NAO), mandates auditors to provide a Value for Money (VfM) commentary, focusing on financial sustainability, governance, and the authority's ability to improve its economy, efficiency, and effectiveness. A summary of their key judgements is provided below:
 - Financial Sustainability – "No significant weaknesses in arrangements identified".
 - Governance – "No significant weaknesses in arrangements identified".

- Improving economy, efficiency and effectiveness - “No significant weaknesses in arrangements identified”.
- On 18 November 2024 Grant Thornton gave an unqualified opinion on the Authority’s finance statements ended 31 March 2024.

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	The new Service level performance dashboard has been delivered and is in use across the service. A performance dashboard project remains live with further PowerBi dashboards in development to support departments and teams across LFRS. A finance proof of concept dashboard has been end-user tested with final development underway. People and culture, and service delivery dashboards are in development.	Complete	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.	New budget monitoring statements were rolled out in 2024 however, we aim to continue to make improvements to the monitoring process during 2025/26.	Complete	Head of Finance

Significant governance issues

On the basis of the review of the sources of assurance and opinions from both the external and internal auditors set out in this statement, there are no significant governance arrangements.

Approved:

Ged Mirfin

County Councillor G Mirfin,
Chairman,
Lancashire Combined Fire
Authority
[DATE]

Jon Charters

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

Steven Brown

S Brown,
Treasurer,
Lancashire Combined Fire
Authority
[DATE]

Code of Corporate Governance

The Lancashire Combined Fire Authority is committed to upholding the highest standards of governance in the delivery of its services to the public. This Local Code of Corporate Governance sets out the framework through which the Authority ensures that it operates in a manner that is consistent with the principles of good governance, as defined in the CIPFA/Solace Framework: *Delivering Good Governance in Local Government (2016)*.

The Code is structured around the seven core principles of good governance and outlines the systems, processes, culture, and values by which the Authority is directed and controlled. It also describes how the Authority engages with and is accountable to its communities and stakeholders.

This Local Code is not a static document. The Authority recognises that good governance is dynamic and must evolve in response to internal and external changes. Therefore, in addition to the ongoing review of governance arrangements through the Annual Governance Statement, the Authority commits to reviewing and updating this Local Code of Corporate Governance on an annual basis. This ensures continued alignment with the CIPFA/Solace Framework and reflects the Authority's dedication to continuous improvement and transparency in all aspects of its governance.

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

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Behaving with integrity	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	Code of Ethics Codes of conduct Induction for new members and staff on standard of behaviour expected

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
		Financial Regulations, Procedures and Standing Orders Performance appraisals Protocol on Member/Officer relations HR policies and procedures Established governance through the EDIC Board
	Ensuring members take the lead in establishing specific standard values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	Authority STRIVE values underpinned by Leadership Framework CRMP Annual Service Plan
	Leading by example and using these values as a framework for decision making and other actions	Declarations of interests Protocol on Member/Officer relations Procedural Standing Orders Committee terms of reference Member complaints Annual Governance Statement Annual Assurance Statement
	Demonstrating, communicating and embedding the values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	Whistleblowing policy Complaints policy Disciplinary Procedure Bullying and Harassment Policy Members and officers code of conduct refers to a requirement to declare interests Minutes show declarations of interest were sought and appropriate declarations made

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
		Register of interests (members and staff) Register of gifts and hospitality Annual Governance Statement Annual Assurance Statement
Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Code of Ethics Bullying and Harassment Policy Codes of conduct Authority STRIVE values Annual appraisals
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Codes of conduct Authority STRIVE values Annual appraisal
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Annual appraisal Procurement strategy
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	Partnership framework Procurement strategy
Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	Standing orders Financial regulations Statutory officers
	Creating the conditions to ensure that the statutory officers, other key post holders and members are	Job description/specifications

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015) Scheme of delegation
	Dealing with breaches of legal and regulatory provisions effectively	Clerk to the Authority Contract standing orders
	Ensuring corruption and misuse of power are dealt with effectively	Financial regulations Contract standing orders Anti-fraud policies and procedures
Principle B: Ensuring openness and comprehensive stakeholder engagement		
Openness	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Annual Service Report Freedom of Information Act publication scheme Annual Governance Statement Annual Assurance Statement Compliance with Transparency code Authority website
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	Publication of Committee agendas and minutes Public meetings
	Providing clear reasoning and evidence for decisions in both public records and explanations to	Authority/Committee timetable Authority Agenda and Minutes

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	Consultation strategy
Engaging comprehensively with institutional stakeholders	Effectively engaging with stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Consultation strategy
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	Partnership framework Blue Light Collaboration Board
	Ensuring that partnerships are based on: <ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners • and that the added value of partnership working is explicit 	Partnership framework
Engaging stakeholders effectively, including	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or	Consultation strategy

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
individual citizens and service users	involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	Consultation strategy
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	Consultation strategy
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	Consultation strategy
Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	CRMP Annual Service plan
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users	CRMP Annual Service plan ECR

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Delivering defined outcomes on a sustainable basis within the resources that will be available	'Measuring Progress' Performance reports
	Identifying and managing risks to the achievement of outcomes	Risk management policy Corporate Risk Register
Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	Medium term Financial Strategy Capital programme
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	CRMP Medium Term Financial Strategy Corporate Risk register Member briefings
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Consultation strategy
	Ensuring fair access to services	Equality Impact Assessments
Determining the interventions necessary to optimise the achievement of the intended outcomes		
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating	Committee report template

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided	Member briefings
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	Consultation strategy CRMP Annual Service Plan Budget/Financial strategy
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Authority/Committee timetable Calendar of dates for developing and submitting plans and reports that are adhered to
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Consultation strategy Rep body consultation

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Considering and monitoring risks facing each partner when working collaboratively including shared risks	Partnership framework Blue Light Collaboration Board
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Performance reporting Planning Committee submissions Corporate programme Board
	Ensuring capacity exists to generate the information required to review service quality regularly	Performance reporting Corporate Programme Board projects Utilising benchmarking information where appropriate
	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Budget/Medium Term Financial plan Productivity & Efficiency Plan
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and	Budget/Medium term financial plan Productivity & Efficiency Plan

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	capital expenditure aimed at developing a sustainable funding strategy	
Optimising achievement of intended outcomes	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	CRMP Annual Service Plan Budget/Financial strategy
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	Budget/Medium term financial plan Productivity & Efficiency Plan
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Budget/Medium term financial plan Productivity & Efficiency Plan

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"	<p>Procurement Strategy, this operationalises the Public Services (Social Value) Act 2012, committing to:</p> <p>Encouraging suppliers to offer employment, training, and work experience opportunities within local communities</p> <p>Maximising local spend within Lancashire and the North West region</p> <p>Promoting fair employment practices, including working towards the Voluntary Living Wage and supporting diversity and inclusion</p> <p>Reducing environmental impact through circular procurement and carbon footprint reduction</p>
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Developing the entity's capacity	Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness	Performance reports
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the	Service reviews

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	authority's resources are allocated so that outcomes are achieved effectively and efficiently	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved	Partnership framework
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	People Strategy Organisational Development plan
Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Job descriptions Member/officer protocol Member briefings Management Development Programme Team Brief Training and Organisational Development Plan
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Scheme of delegation Standing orders Financial regulations Terms of reference
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	Scheme of delegation Standing orders Financial regulations Terms of reference

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> • ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis • ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 	<p>Strategy Group Member Training and Development Working Group Organisational Development Plan Induction programme Appraisals Personal development plans Recruitment & Selection Procedures</p>
	<p>Ensuring that there are structures in place to encourage public participation</p>	<p>Consultation strategy</p>
	<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<p>Member Training and Development Working Group Training and Organisational Development Plan Induction programme Appraisals</p>

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
		360 degree feedback Personal development plans Coaching and Mentoring
	Holding staff to account through regular performance reviews which take account of training or development needs	Member Training and Development Working Group Training and Organisational Development Plan Induction programme Appraisals Personal development plans Debrief process Quarterly performance reviews across SD
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	OHU Fitness advisor MIND blue light programme Events and Campaigns Wellbeing Support Dogs Employee Voice Groups Employee Assistance Programme
Principle F: Managing risks and performance through robust internal control and strong public financial management		
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Risk management policy Corporate risk register
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	Risk management policy Corporate Risk Register

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Ensuring that responsibilities for managing individual risks are clearly allocated	Risk management policy Corporate Risk Register
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	Performance Reporting Corporate Programme Board
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	Committee timetable Committee report template Member briefings
	Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	Terms of reference Training for members
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	Committee timetable Committee report template Member briefings Performance Reporting Corporate Programme Board
Robust internal control	Aligning the risk management strategy and policies on internal control with achieving the objectives	Risk management strategy Internal Audit plan External Audit Plan Audit reports
	Evaluating and monitoring the authority's risk management and internal control on a regular basis	Risk management policy Annual Governance Statement Annual Assurance Statement

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Ensuring effective counter fraud and anti-corruption arrangements are in place	Anti-fraud policy NFI
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Annual governance statement Annual Assurance Statement Internal audit Audit Committee
	Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon	Audit committee Terms of reference Training
Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Designated data protection officer Data protection policies and procedures
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Data sharing agreements Data sharing register
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Data validation procedures

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
Strong public financial management	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	Budget/Medium term financial plan Productivity & Efficiency Plan Financial Management Code
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Budget monitoring reports
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Annual report Compliance with Data Transparency requirements Pay Policy Accessibility Service Order
Implementing good practices in reporting	Reporting at least annually on performance, value for money and the stewardship of its resources	Annual report Annual financial statements Annual Governance Statement Annual Assurance Statement
	Ensuring members and senior management own the results	Appropriate approvals by officers and members

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	Annual governance statement Annual Assurance Statement
	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	Annual governance statement Annual Assurance Statement
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	Annual report Budget/Medium term financial plan Productivity & Efficiency Plan
Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	Annual Audit Report Annual Internal Audit report Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) Compliance with Public Sector Internal Audit Standards
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Peer challenge review Organisational Assurance Team HMICFRS

Supporting Principles	To meet the requirement of this principle the Authority will	This will be evidenced by
		NFCC Fire Standards Board Ofsted
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Annual Governance statement Annual Assurance Statement
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Partnership framework

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Lancashire Combined Fire Authority Audit Committee

Meeting to be held on 16 July 2025

Accounting Estimates 2024/25

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

The introduction of ISA 540 means that Audit Committee need to fully understand the judgements and estimates made by management in the course of producing the Statement of Accounts.

The estimates as reported are included in the unaudited statement of accounts balances.

Recommendation

The Committee is asked to note and endorse the accounting estimates as reported.

Background

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 serves the public interest by setting high-quality international standards for auditing, quality control, and review.

The auditing standard was revised because Statement of Accounts are 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 require 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.”

Requirements

Those charged with Governance, i.e. Audit Committee need to understand what significant estimates will be included within the Statement of Accounts. Significant estimates are those that:

- Require significant judgement by management to address subjectivity;
- Have high estimation uncertainty;
- Are complex to make;

- Had, or ought to have had, a change in method, assumptions or data compared to previous periods; or
- Involve significant assumptions.

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

The Statement of Accounts are prepared in line with the most recent Code of Practice on Local Authority Accounting in the United Kingdom (known as the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Significant underlying Assumption for 2024/25

The Statement of Accounts are prepared with the underlying significant assumption of Going Concern, which means that the Authority considers its' financial position to be stable for the foreseeable future, as assessed at the most recent budget setting meeting in February 2025.

Accounting standards require that management make an annual assessment of going concern, although the Code recognises that Local Authorities cannot be created or dissolved without statutory prescription, the accounts must therefore be prepared on a Going Concern basis. Management have prepared the assessment in line with requirements.

Significant Accounting Estimates for 2024/25

Nature of the estimate	Estimate value; degree of uncertainty; methodology
Valuation of land & buildings	<p>2024/25 carrying value £116m (2023/24: £116m)</p> <p>The valuation method applied to Lancashire Fire and Rescue Service (LFRS) assets is prescribed by the Code, these have not changed since the last financial year. Most of the Property assets are valued under Depreciated Replacement Cost (DRC) as specialised assets. DRC is used as a valuation method when there are no recent market transactions due to the specialised nature of the asset (i.e. a Fire Station) to base a valuation on. DRC calculates the cost (at today's prices) of building the asset as it is currently used, then reduce by the valuer's assessment of the accumulated depreciation.</p> <p>Land and buildings are valued by a RICS qualified valuer (employed by Amcat Ltd) on a rolling 5-</p>

	<p>year basis for physical inspections, or upon completion of significant building works, with the remaining assets updated by desktop valuation using Royal Institution of Chartered Surveyors (RICS) indices.</p> <p>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.</p> <p>Management reviews the underlying assumptions prior to valuation, and review material changes to values and challenged the results with the valuers to gain understanding of their valuation.</p> <p>The property valuation gains for 2024/25 was £5.6m (2023/24: £5.4m).</p> <p>It is estimated that a 1% increase in DRC values will increase asset values by £1.2m (2023/24: £1.2m).</p> <p>Property assets are also considered by the valuer for impairment each year, in terms of the condition of the asset, local property market conditions, current pricing of materials/labour (the basis for DRC valuations). The property impairment for 2024/25 was £2.0m (2023/24 £4.4m)</p>
<p>Depreciation of Property & Equipment</p>	<p>2024/25 carrying value £129m (2023/24: £127m)</p> <p>Assets are depreciated over the useful lives, dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Useful lives are determined by the RICS valuer for Property assets, and by Fleet Services department for vehicles and equipment. Asset life changes are compared to the previous year by management to check for reasonableness. There have not been any significant changes in asset lives since last year. Property asset lives are assessed on physical inspection in 10-year bands up to a maximum of 50 years. Vehicle asset lives</p>

	<p>depend upon the vehicle type, usually between 4 and 15 years.</p> <p>Note - the useful life is used to account for the 'using up' of the asset, at point of asset disposal all our assets are still in saleable working order, for example a 12-year-old pumping appliance will reach £3k sale proceeds.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls.</p> <p>The depreciation charge for 2024/25 is £6.6m (2023/24: £5.7m). The estimated annual depreciation charge for property would increase by £0.5m for every year that asset lives are reduced.</p>
<p>Valuation of both Firefighter (FF) and the Local Government Pension Scheme (LGPS) pension liability</p>	<p>2024/25 net liability carrying value £553m (2023/24: £628m)</p> <p>The schemes liabilities, calculated by qualified actuaries (Mercers for LGPS, and Government Actuary Department (GAD) for FF schemes) using detailed membership data at a point in time, adjusted for changes since the last full review. These calculations are based on complex judgements relating to the discount rates used, the projected increased rates of salaries and pensions, mortality rate assumptions, and expected returns on pension fund assets (for LGPS only). These assumptions, proposed by the actuaries as experts in their field, disclosed to management in advance of the year end valuations calculations, giving the opportunity for scrutiny and challenge.</p> <p>These assumptions and the subsequent movement in the liabilities, reviewed by management to check for reasonableness, with any queries referred to the actuaries for resolution.</p> <p>It is estimated that, for both pension schemes combined, a 0.5% increase in the discount rate would decrease the liability by £42m (2023/24: £48m), a 1% increase in pay growth would increase the liability by £11m (2023/24: £13m). In addition, a 1-year increase in the assumed life</p>

	<p>expectancy would increase the liability by £15m (2023/24: £17m).</p> <p>The above rates are updated by the actuaries each year, which in turn affects the overall liability calculated.</p>
<p>Valuation of LGPS pension asset</p>	<p>2024/25 LGPS asset carrying value £85.4m (2023/24: £84.1m)</p> <p>The LGPS scheme assets attributable to the Authority are calculated by Mercers (with the Authority's 25% share in North West Fire Control calculated by Hymans Robertson LLP). The assets are valued using the value of assets as assessed at the last full valuation, taking account of any changes since then. The asset value is re-based at each full valuation.</p> <p>The Authority is attributed a proportionate share of the assets of the Lancashire County Pension fund, in line with all organisations participating in the scheme. Both the direct and indirect property assets held by the pension fund carry a risk of over/understating for the accounts, both in terms of the proportion attributed to the Authority, and the impact of market volatility seen during the global pandemic, although the actuaries consider this to have reduced since the last year end.</p> <p>The assumptions made, and the subsequent movement in the assets are reviewed by management to check for reasonableness, with any queries referred to the actuaries for resolution.</p>
<p>Fair value measurements – Private Finance Initiative (PFI) schemes</p>	<p><i>At the time of writing the 2024/25 were outstanding.</i></p> <p>2024/25 PFI liability carrying value £TBCm (2023/24: £11.9m); 2024/25 PFI liability fair value £TBCm (2023/24: £13.7m)</p> <p>The liability initial carrying value is calculated from the present value of the future payments due and grant received for the life of the PFI scheme. This carrying value is then updated each year to reflect any inflationary increases and any repayments made. The fair value is calculated using the forecast payments and grant income for the remaining life of the scheme and applying a</p>

	<p>discount rate (we use the current AA rated bond yield rate forecast) to arrive at the fair value. The Fair Value is the estimated price at which the Authority would transfer the liability to another body.</p> <p>As the fair value of the Authority's two PFI schemes cannot be measured based on quoted prices in active markets, their fair value is calculated using the Discounted Cash Flow method, which uses forecast future annual net cash flows to estimate the current value.</p> <p>To calculate the fair value, forecast bond yield rates are provided to us by Lancashire County Council (LCC) Treasury management section, who receive them from their Treasury Management advisors, Arlingclose.</p> <p>The bond yield rate forecasts have increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, is a product of both the underlying reduction in the liability because of repayments made during the year, and the increase in the future interest rates.</p>
<p>Holiday pay expenditure accrual</p>	<p>2024/25 expenditure accrual £0.7m (2023/24: £1m)</p> <p>Each year end the Authority is required to calculate the balance owed to employees in relation to untaken annual leave, time owing and flexitime.</p> <p>Various systems and records are used to determine the underlying data, such as the payroll system for annual leave and support staff flexitime, and the on-call availability system. The relevant balances (by employee) then have the relevant payment rate applied to arrive at the accrual for the whole organisation.</p> <p>Note this balance is not expected to result in any cash payments to employees – it is simply recognising the cash value of outstanding balances at a point in time, in accordance with accounting rules.</p>

In addition to the above, each year Executive Board are asked to consider whether there are 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 back from Executive Board, the contingent liabilities note has been updated to reflect the current position, but there were no further significant events or transactions identified by this process.

Financial Implications

As outlined in the report

Legal Implications

None

Business Risk Implications

If external audit does not consider that we have properly considered our estimates and significant judgements, we could be subject to a qualified audit opinion.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 16 July 2025

Accounting Estimates 2024/25

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	<p>valuer (employed by Amcat Ltd) on a rolling 5-year basis for physical inspections, or upon completion of significant building works, with the remaining assets updated by desktop valuation using RICS indices.</p> <p>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.</p> <p>Management reviews the underlying assumptions prior to valuation, and review material changes to values and challenged the results with the valuers. To gain understanding of their valuation.</p> <p>The property valuation gains for 2024/25 was £5.6m (2023/24: £5.4m).</p> <p>It is estimated that a 1% increase in DRC values will increase asset values by £1.2m (2023/24: £1.2m).</p> <p>Property assets are also considered by the valuer for impairment each year, in terms of the condition of the asset, local property market conditions, current pricing of materials/labour (the basis for DRC valuations). The property impairment for 2024/25 was £2.0m (2023/24 £4.4m)</p>
<p>Depreciation of Property & Equipment</p>	<p>2024/25 carrying value £129m (2023/24: £127m)</p> <p>Assets are depreciated over the useful lives, dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Useful lives are determined by the RICS valuer for Property assets, and by Fleet Services department for vehicles and equipment. Asset life changes are compared to the previous year by management to check for reasonableness. There have not been any significant changes in asset lives since last year. Property asset lives are assessed on physical inspection in 10-year bands up to a maximum of 50 years. Vehicle asset lives</p>

	<p>depend upon the vehicle type, usually between 4 and 15 years.</p> <p>Note - the useful life is used to account for the 'using up' of the asset, at point of asset disposal all our assets are still in saleable working order, for example a 12-year-old pumping appliance will reach £3k sale proceeds.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls.</p> <p>The depreciation charge for 2024/25 is £6.6m (2023/24: £5.7m). The estimated annual depreciation charge for property would increase by £0.5m for every year that asset lives are reduced.</p>
<p>Valuation of both Fire Fighter (FF) and Local Government Pension Scheme (LGPS) pension liability</p>	<p>2024/25 net liability carrying value £553m (2023/24: £628m)</p> <p>The schemes liabilities, calculated by qualified actuaries (Mercers for LGPS, and Government Actuary Department (GAD) for FF schemes) using detailed membership data at a point in time, adjusted for changes since the last full review. These calculations are based on complex judgements relating to the discount rates used, the projected increased rates of salaries and pensions, mortality rate assumptions, and expected returns on pension fund assets (for LGPS only). These assumptions, proposed by the actuaries as experts in their field, disclosed to management in advance of the year end valuations calculations, giving the opportunity for scrutiny and challenge.</p> <p>These assumptions and the subsequent movement in the liabilities, reviewed by management to check for reasonableness, with any queries referred to the actuaries for resolution.</p> <p>It is estimated that, for both pension schemes combined, a 0.5% increase in the discount rate would decrease the liability by £42m (2023/24: £48m), a 1% increase in pay growth would increase the liability by £11m (2023/24: £13m). In addition, a 1-year increase in the assumed life</p>

	<p>expectancy would increase the liability by £15m (2023/24: £17m).</p> <p>The above rates are updated by the actuaries each year, which in turn affects the overall liability calculated.</p>
<p>Valuation of LGPS pension asset</p>	<p>2024/25 LGPS asset carrying value £85.4m (2023/24: £84.1m)</p> <p>The LGPS scheme assets attributable to the Authority are calculated by Mercers (with the Authority's 25% share in North West Fire Control calculated by Hymans Robertson LLP). The assets are valued using the value of assets as assessed at the last full valuation, taking account of any changes since then. The asset value is re-based at each full valuation.</p> <p>The Authority is attributed a proportionate share of the assets of the Lancashire County Pension fund, in line with all organisations participating in the scheme. Both the direct and indirect property assets held by the pension fund carry a risk of over/understating for the accounts, both in terms of the proportion attributed to the Authority, and the impact of market volatility seen during the global pandemic, although the actuaries consider this to have reduced since the last year end.</p> <p>The assumptions made, and the subsequent movement in the assets are reviewed by management to check for reasonableness, with any queries referred to the actuaries for resolution.</p>
<p>PFI (Private Finance Initiative) liability</p>	<p>2024/25 PFI liability carrying value £12.4m (2023/24: £11.9m)</p> <p>The liability initial carrying value is calculated from the present value of the future payments due and grant received for the life of the PFI scheme. This carrying value is then updated each year to reflect any inflationary increases and any repayments made. The fair value is calculated using the forecast payments and grant income for the remaining life of the scheme and applying a discount rate (we use the current AA rated bond yield rate forecast) to arrive at the fair value. The Fair Value is the estimated price at which the</p>

	<p>Authority would transfer the liability to another body.</p> <p>As the fair value of the Authority's two PFI schemes cannot be measured based on quoted prices in active markets, their fair value is calculated using the Discounted Cash Flow method, which uses forecast future annual net cash flows to estimate the current value.</p> <p>To calculate the fair value, forecast bond yield rates are provided to us by LCC Treasury management section, who receive them from their Treasury Management advisors, Arlingclose.</p> <p>The bond yield rate forecasts have increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, is a product of both the underlying reduction in the liability because of repayments made during the year, and the increase in the future interest rates.</p>
<p>Holiday pay expenditure accrual</p>	<p>2024/25 expenditure accrual £0.7m (2023/24: £1m)</p> <p>Each year end the Authority is required to calculate the balance owed to employees in relation to untaken annual leave, time owing and flexitime.</p> <p>Various systems and records are used to determine the underlying data, such as the payroll system for annual leave and support staff flexitime, and the on-call availability system. The relevant balances (by employee) then have the relevant payment rate applied to arrive at the accrual for the whole organisation.</p> <p>Note this balance is not expected to result in any cash payments to employees – it is simply recognising the cash value of outstanding balances at a point in time, in accordance with accounting rules.</p>

In addition to the above, each year Executive Board are asked to consider whether there are 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 back from Executive Board, the contingent liabilities note has been updated to reflect the current position, but there were no further significant events or transactions identified by this process.

Financial Implications

As outlined in the report

Legal Implications

None

Business Risk Implications

If external audit does not consider that we have properly considered our estimates and significant judgements, we could be subject to a qualified audit opinion.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

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**Lancashire Combined Fire Authority
Audit Committee**

Meeting to be held on 16 July 2025

External Audit – Audit Plan 2024/25

(Appendix A refers)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

The attached report sets out the proposed external audit plan for 2024/25.

Decision Required

The Committee are asked to agree the external audit plan for 2024/25.

Information

The external auditors are required to produce an annual audit plan, setting out areas it intends to review during the year. The plan is attached as Appendix A and will be presented by the External Audit - Engagement Lead.

Financial Implications

The proposed audit fee is £103,053.

Legal Implications

None

Business Risk Implications

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

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

Appendix A: External Audit Plan

The Audit Plan for Lancashire Combined Fire Authority Audit Plan

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Year ending 31 March 2025

April 2025



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01 Key developments impacting our audit approach

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

The sector faces many challenges, the pandemic along with the cost-of-living crisis has left local government with economic, social, and health challenges to address:

Staffing: A key challenge facing fire authorities in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Authorities struggle to attract and retain qualified staff, especially younger talent. Many authorities have outdated recruitment processes and are heavily reliant on agency staff.

Funding: Fire authorities are facing many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult to balance budgets.

Digital Transformation: The fast pace of technological advancement poses both opportunities and challenges. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Fire authorities need to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Fire authorities need to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and Fire authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Fire authorities must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice for local authorities who are facing increasing pressure to provide services while managing change and reducing costs. Whilst fire authorities may not be experiencing all of the same pressures, the environment in which they are currently operating in is still demanding. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset.

Our Response

- Detailed review of the Authorities implementation of IFRS 16. More information can be found on page 9.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Corporate Services.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.

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We would like to offer a formal meeting with the Chief Fire Officer twice a year, and with the Director of Corporate Services quarterly as part of our commitment to keep you fully informed on the progress of the audit.

At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.

- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



Key developments impacting our audit approach

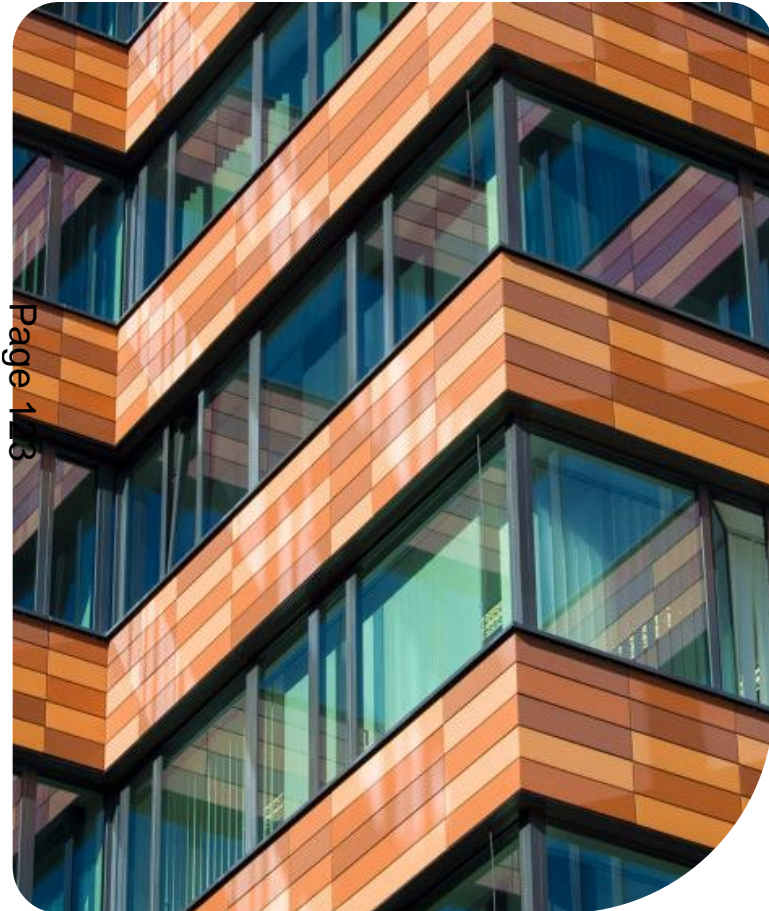
Our responses

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Authority. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Authority.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
 - There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – refer to page 17. We have rebutted this presumed risk for all revenue streams.
 - Under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure – refer to page 17. We have rebutted this presumed risk for all expenditure streams.
- We identified significant audit risks relating to valuation land and buildings and valuation of the pension fund net asset / liability – refer to page 18.
- We also identified other audit risks in relation to IFRS 16 implementation – refer to page 19.

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IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we have had discussions with management regarding the implementation of IFRS 16 .

The Backstop

Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

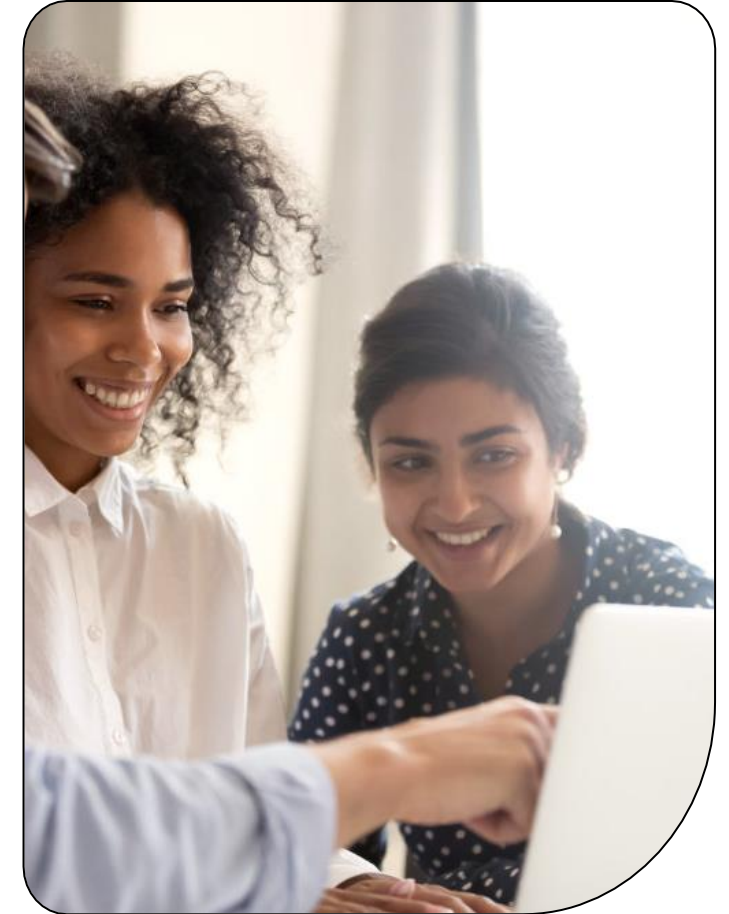
- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and to enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our Work

Lancashire Combined Fire Authority is up to date with its financial statements, with the 2023/24 audit opinion being issued on 29th November 2024.

For the 2024/25 financial year we will work with the Authority in order to ensure audit procedures are completed well in advance of the backstop date of 27 February 2026. Our intention is to complete the audit by 31st December 2025. This is in preparation for the backstop date moving forward for the 2025/26 financial year.



02 Introduction and Headlines

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Introduction and headlines



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Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Lancashire Combined Fire Authority ('the Authority') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the respective Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire Combined Fire Authority. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net liability/surplus

We have rebutted the presumed significant risks in relation to fraud in revenue and expenditure recognition.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £2,113k (PY £1,256k) for the Authority, which equates to 2.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £105.6k (PY £62.8k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our interim visit took place in March and our final visit will take place from July to September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £103,053 (PY: £97,626) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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

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03 Identified risks

Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
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.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> • review accounting estimates, critical judgements and significant decisions made by management; • evaluate the design and implementation of controls; • review accounting policies and any changes to those policies; • test journals entries for appropriateness; and • review unusual significant transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; • most of the revenue received by the Authority comes from government grants; and • the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider these to be significant risks for Lancashire Combined Fire Authority. We will continue to review material revenue transactions as part of our audit ensuring that it remains appropriate to rebut the presumed risk of revenue recognition for the Authority.</p>	<p>As we do not determine this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than carrying out our standard audit procedure. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We will:</p> <ul style="list-style-type: none"> • review and test, on a sample basis, revenue transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition; and • design and carry out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We do not consider this to be a significant risk for the Authority and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We will:</p> <ul style="list-style-type: none"> • review and test, on a sample basis, expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of expenditure recognition; and • design and carry out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment
Valuation of land and buildings	<p>The Authority revalues its land and buildings on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £28m in the prior period) and the sensitivity of this estimate to changes in key assumptions. .</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • evaluate the valuer's report to identify assets that have large and usual changes and/ or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable; • test a selection of asset revaluations performed during the year to see if they have been input correctly into the Authority's asset register, revaluation reserve and Comprehensive Income and Expenditure Statement; and • evaluate the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially difference from current value at year-end.
Valuation of the pension fund net liability	<p>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.</p> <p>The pension fund liability is considered a significant estimate due to the size of the numbers involved (approximately £183m as at 31 March 2024, including both the Firefighters' and LGPS schemes) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test 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; • undertake 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, including confirmation of the scope of the actuary's work and whether the application of IFRIC 14 has been considered; • obtain assurances from the auditor of Lancashire County 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 LGPS pension fund and the fund assets valuation in the pension fund financial statements. This relates to the local government pension fund liability only; and • perform appropriate data checks in respect of Firefighters' membership data and test the accuracy and validity of movements since the most recent triennial valuation, where material changes were identified.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
IFRS 16	<p>IFRS 16 Leases is now mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.</p> <p>In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called “peppercorn” rentals. This is one instance where the right of use asset and its’ associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.</p> <p>Key judgements include</p> <ul style="list-style-type: none"> • determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority’s threshold for capitalising owned assets; • determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and • the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this. <p>We have therefore identified completeness of the identification of relevant leases and valuation as a risk.</p>	<p>We will</p> <ul style="list-style-type: none"> • review the processes and controls put in place by management to ensure that the implementation of IFRS 16 complete, accurate and not materially misstated. We will also evaluate the design of the associated controls; • review the proposed accounting policy and agree disclosures presented in the financial statements to underlying accounting records and calculations; and • review management’s lease accounting calculations and assess the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
- issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act);
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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04 Our approach to materiality

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	<p>Determination</p> <p>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements</p>	<ul style="list-style-type: none"> • We determine planning materiality in order to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements</p>	<ul style="list-style-type: none"> • An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> – instances where greater precision is required
03	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process</p>	<ul style="list-style-type: none"> • We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	<p>Matters we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> • We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £105.6k (PY £62.8k). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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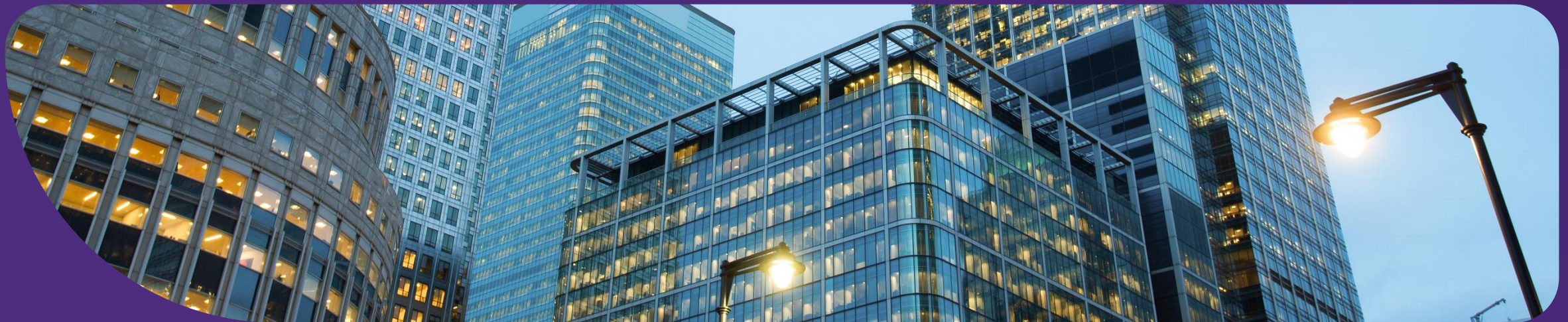


Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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.

	Amount (£)	Qualitative factors considered
Materiality for the entity financial statements	2,112,775	This equates to 2.5% of the Authority's prior year gross operating expenditure. This reflects that the Authority operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available, and this has increased the financial pressures. The audit of the prior year financial statements did not identify any significant deficiencies in the control environment. There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.
Performance Materiality	1,478,943	This equates to 70% of Materiality.
Materiality for senior officer remuneration	42,255	This equates to 2% of materiality and reflects higher stakeholder interest in these sensitive disclosures.



05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Authority's financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>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.</p> <p>For control purposes and best practices, we recommend that management run checks between the transaction listing and trial balance on a timely bases to identify and address any potential system errors.</p>	<p>Management response</p> <p>An additional monthly reconciliation has been introduced to identify any coding variances within customised reporting.</p> <p>Auditor Comment</p> <p>To be followed up during the 2024/25 audit.</p>
In progress	<p>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.</p> <p>We reviewed the Fixed assets register and confirmed that no depreciation has been charged in year for this asset. Therefore, apart apart from the matter of classification, there is no impact on the net balance of the accounts.</p> <p>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.</p>	<p>Management response</p> <p>The asset register will continue to be reviewed on a regular basis and a classified category check will be introduced.</p> <p>Auditor Comment</p> <p>To be followed up during the 2024/25 audit.</p>

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06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

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IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	Detailed ITGC assessment (design effectiveness only)

07 Value for Money Arrangements

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Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures	
Financial sustainability	A	No significant weakness in arrangements reported, but one improvement recommendation made to support the Authority in improving arrangement relating to efficiency savings. The recommendation relates to reporting of planned and achieved savings.	No risks of significant weakness identified.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in prior years.
Governance	A	No significant weakness in arrangement identified, but seven improvement recommendations made to support the Authority in continuing to improve its arrangements.	No risks of significant weakness identified.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in prior years.
Improving economy, efficiency and effectiveness	G	No significant weakness in arrangement identified, but two improvement recommendations have been made to support the Authority in continuing to improve its arrangements.	No risks of significant weakness identified.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in prior years.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

- 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.

08 Logistics

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Logistics

The audit timeline

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Audit phases:

Planning – February-
April 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Standards, Audit Committee
- Issue the Audit Plan to management and Standards, Audit Committee
- Planning meeting with Standards Audit Committee to discuss the Audit Plan

Key Dates

Year end:
31 March 2025

Interim – April 2025

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Complete advanced testing.

Final – Summer and
Autumn 2025

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Audit committee:
TBC

Completion –
TBC*

Key elements

- Draft Audit Findings and Auditor's Annual Report issued to management
- Audit Findings meeting with management
- 'Draft Audit Findings and Auditor's Annual Report issued to Standards Audit Committee
- * Finalise and sign financial statements and audit report (dependent on receipt of IAS 19 assurances from pension fund auditor)

Sign off:
Before 27
February 2026

Our team and communications

Grant Thornton core team

Liz A Luddington

Engagement Lead

- Key contact for senior management and Standards Audit and Performance Committee
- Overall quality assurance

Curtis Wallace

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Ryan Colclough

Audit Senior / In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

Sarah Jasall

Value for Money Manager

- Value for Money (VFM) planning
- Main contact for the review of VFM arrangements
- Development of the VFM commentary in the Auditor's Annual Report

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	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

09 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Typical Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Lancashire Combined Fire Authority to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £103,053.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Lancashire Combined Fire Authority – PSAA Scale Fee	97,626	103,053
IFRS16	N/A	TBC
Total (Exc. VAT)	97,626	103,053

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

10 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose that there are no matters that we are required to report.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. 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.

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

Other services

There are no other services either audit related, or non-audit related provided by Grant Thornton.

Independence considerations

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

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

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

11 **Communication of audit matters with those charged with governance**

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Communication of audit matters with 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Fire Authority's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

12 Delivering audit quality

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Delivering audit quality

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Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

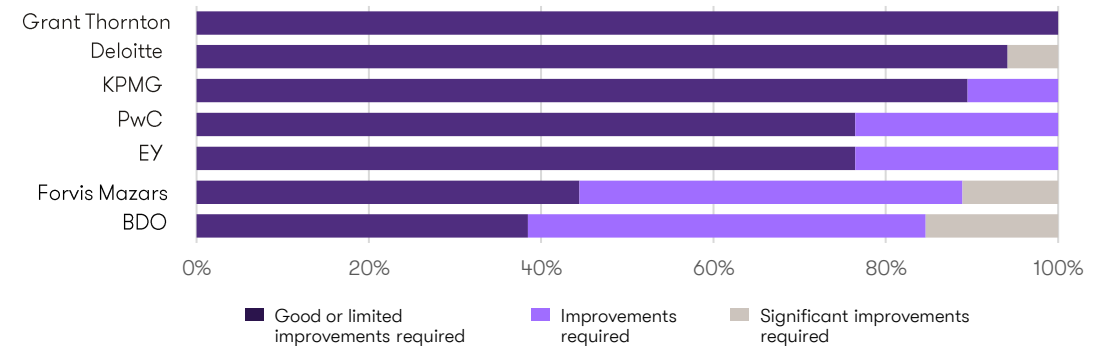
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection (% of files awarded in each grading, in the most recent report for each firm)



13 Appendices

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IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

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IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from 1 April 2025.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

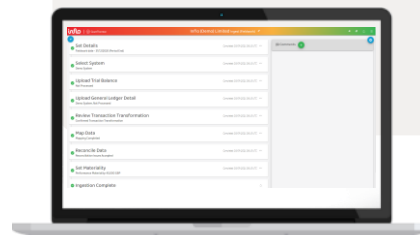


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

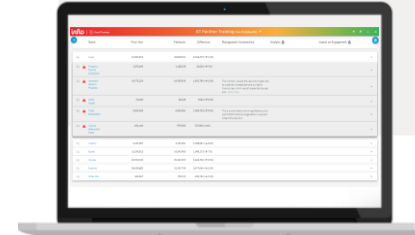


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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**Lancashire Combined Fire Authority
Audit Committee**

Meeting to be held on 16 July 2025

Internal Audit Charter and Mandate

(Appendix A refers)

Contact for further information:

Steven Brown - Director of Corporate Services - Telephone Number 01772 826804

Executive Summary

The Internal charter establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Combined Fire Authority and to meet its professional obligations under applicable professional standards. Following a review by the Head of Service – Internal Audit ('Head of Internal Audit') it has been updated and is presented to the Audit Committee for approval.

Decision Required

The Committee is asked to approve the Audit Charter and Mandate.

Information

As contained in the Executive Summary above and the attached appendix.

Financial Implications

None

Legal Implications

None

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

Appendix A: Audit Charter and Mandate

**Lancashire Combined Fire Authority
Internal Audit Charter and Mandate**

Introduction

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

It will be subject to periodic review by the Head of Service – Internal Audit ('Head of Internal Audit') and presented to the Audit Committee for approval.

Relevant Regulations and Interpretation

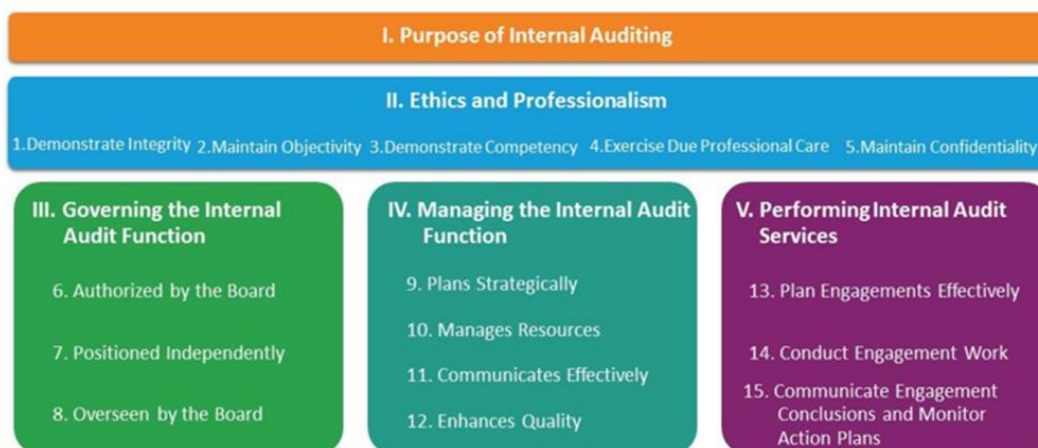
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for Internal Audit in local government in the United Kingdom. From 1 April 2025, the Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector will replace the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards, and advice.

The new Global Internal Audit Standards are organised into five domains: Purpose, Ethics and Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function, and Performing Internal Audit Services. These domains encompass 52 standards that provide comprehensive guidance for Internal Audit practices. The principles within these domains emphasise the importance of serving the public interest, maintaining ethical conduct, ensuring effective governance, managing audit functions efficiently, and performing audit services with due diligence.



Global Internal Audit Standards

Five Domains, 15 Principles



Authority and Requirement for Effective Internal Audit

The authority and requirement for Internal Audit in local government is established under the Local Government Act 1972 and the Accounts and Audit Regulations 2015. Specifically:

Local Government Act 1972:

Section 151: Requires every local authority to make arrangements for the proper administration of their financial affairs, which includes measures to prevent and detect fraud.

Accounts and Audit Regulations 2015:

Part 2, Section 3: Mandates that local authorities must have sound systems of internal control, which include arrangements for the management of risk, control, and governance processes, encompassing counter fraud measures.

Authority and Requirement for Effective Counter Fraud Arrangements

Local Government Act 1972:

Section 151: Requires every local authority to make arrangements for the proper administration of their financial affairs, which includes measures to prevent and detect fraud.

Section 222: Empowers local authorities to prosecute or defend legal proceedings if it is considered expedient for the promotion or protection of the interests of its inhabitants. This includes prosecuting individuals who commit fraud against the authority.

Accounts and Audit Regulations 2015:

Part 2, Section 3: Mandates that local authorities must have sound systems of internal control, which include arrangements for the management of risk, control, and governance processes, encompassing counter fraud measures.

Definitions

The Institute of Internal Auditors (IIA) defines Internal Auditing as:

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

In relation to the Combined Fire Authority, the board is defined as the Audit Committee

Senior management is represented by the Executive Board which consists of the Chief Fire Officer, the Deputy and Assistant Chief Fire Officer, the Director of Corporate Services and the Director of People and Development

Responsibilities

Role of Internal Audit

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

The Combined Fire Authority has taken the decision to outsource their internal audit provision to Lancashire County Council's Internal Audit Service. However, responsibility for maintaining an adequate and effective system of internal audit remains with the Combined Fire Authority.

Internal Audit provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. It helps organisations achieve their objectives by systematically evaluating and improving the effectiveness of risk management, control, and governance processes. This service adds value by:

- Identifying areas for improvement
- Ensuring compliance with laws and regulations
- Providing insights that enhance decision-making and organisational performance

Responsibilities of Key Stakeholders

Board and Audit Committee:

- Ensure the Internal Audit function is independent and has sufficient resources.
- Approve the Internal Audit Charter, risk-based audit plan, and Internal Audit resources.
- Oversee the performance and effectiveness of the Internal Audit function.

Chief Executive Officer (CEO) and Senior Management:

- Support the Internal Audit function by providing access to necessary information and resources.
- Ensure that management actions are taken in response to Internal Audit recommendations.
- Foster an organisational culture that values Internal Audit and risk management.

Head of Audit (CAE):

- Develop and maintain a risk-based audit plan.
- Ensure the Internal Audit function adheres to the IIA standards and other relevant standards.
- Report on the Internal Audit function's performance and findings to the board and audit committee.

Internal Auditors:

- Conduct audits in accordance with the IIA standards and the Internal Audit charter.
- Maintain objectivity, integrity, and confidentiality.
- Communicate audit findings and recommendations clearly and effectively.
- Maintain professional competence through continuous training and development.

External Auditors:

- Collaborate with the Internal Audit function to enhance audit coverage and efficiency.
- Consider the work of Internal Auditors when planning and conducting external audits.
- Share relevant findings and insights with the Internal Audit function.

These responsibilities ensure that the Internal Audit function operates effectively and adds value to the organisation by providing assurance and insights on governance, risk management, and control processes.

Independence, Objectivity, and Integrity

Everyone in the public sector must comply with the Nolan Principles, which include selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. However, Internal Audit has additional requirements for independence, objectivity, and integrity.

Independence

- Internal Auditors must be free from conditions that threaten their ability to perform their duties impartially. This means:
 - **Organisational Independence:** The Internal Audit function must report functionally to the board or audit committee, ensuring it has the authority to act independently.
 - **Individual Independence:** Internal Auditors must avoid conflicts of interest and not engage in activities that could impair their unbiased judgment.

Objectivity

- Internal Auditors must maintain an unbiased mental attitude and avoid conflicts of interest. This requires:
 - **Professional Judgment:** Internal Auditors should not subordinate their judgment to others and must make decisions based on objective criteria.
 - **Impartiality:** Auditors must perform their work without any bias, ensuring that their findings and recommendations are based solely on evidence.

Integrity

- Internal Auditors must adhere to high ethical standards and be honest and forthright in their work. This involves:
 - **Ethical Conduct:** Auditors must act with integrity, ensuring their actions and decisions are in the best interest of the organisation.
 - **Professional Competence:** Auditors must maintain their professional knowledge and skills through continuous training and development, ensuring they stay updated with the latest auditing standards and practices.

These additional requirements ensure that Internal Auditors can provide reliable and objective assurance and consulting services, thereby enhancing the effectiveness of governance, risk management, and control processes within the organisation.

Reporting Lines and Relationships

Functional Reporting

The Head of Internal Audit reports functionally to the Audit Committee. This ensures that the Internal Audit function operates independently from management and can provide unbiased assurance.

Organisational Reporting

The Head of Internal Audit has direct access to senior management within the Lancashire Fire and Rescue Service. This access ensures that the Internal Audit function can communicate important findings and recommendations directly to those in positions of authority.

Regular Access to the Audit Committee

The Head of Internal Audit has regular access to the chair of the Audit Committee, which typically meets at least four times a year. The Head of Internal Audit reports to each meeting of the committee under its terms of reference. The committee is responsible for approving the annual audit plan and overseeing the performance of the Internal Audit function.

These reporting requirements, as set out in the Global Internal Audit Standards (GIAS), ensure that the Internal Audit function can operate independently and effectively, providing valuable insights and assurance to the organisation.

Access to Information

Right of Access for Internal Audit

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

The Internal Audit function has unrestricted direct access to all records. This right of access is essential to ensure that Internal Auditors can carry out their responsibilities without any limitations or hindrances.

Access to Records

Internal Auditors have the authority to access all records, documents, data, and correspondence relating to the Lancashire Fire and Rescue Service, regardless of the format in which they are held (physical form or electronically). This includes any unofficial funds operated by an employee as part of their duties. This access allows auditors to gather the evidence needed to evaluate the effectiveness of risk management, control, and governance processes, or to aid any investigation

Access to Premises

Internal Auditors have the authority to enter any premises or land of the organisation to conduct audits. This includes access to all departments, offices, and facilities,

ensuring that auditors can observe operations and verify the existence and condition of assets.

Access to Personnel

Internal Auditors have the authority to interview any employee or officer of the organisation to provide such explanations, information or other assistance concerning any matter under examination as part of any audit engagement. This access is crucial for understanding processes, identifying potential issues, and obtaining insights that may not be evident from documents alone.

Access to Property

Internal Auditors have the authority to require any employee of the Lancashire Fire and Rescue Service to produce cash, stores, or any other property under his or her control.

Access to Computer Systems

Internal Auditors have the authority to access all computer systems as and when required. This ensures that auditors can review electronic records, data, and systems to perform comprehensive audits.

These rights of access are fundamental to the Internal Audit function's ability to provide independent and objective assurance. Any restrictions on access to records, premises, personnel, or computer systems would impair the audit function's independence and objectivity, thereby reducing its effectiveness.

Internal Audit Resources and Effectiveness

Sufficiency of Resources

The Internal Audit function shall be provided with sufficient resources, including professional audit staff possessing the necessary knowledge, skills, experience, and professional qualifications to effectively fulfil its responsibilities. This includes resources for counter fraud and investigation work designed to comply with the four pillars of the Fighting Fraud and Corruption Locally strategy: Govern, Acknowledge, Prevent, and Pursue.

Continuous Professional Development

The Internal Audit staff shall engage in continuous professional development to maintain and enhance their competencies, ensuring they remain current with industry standards and best practices.

Access to Specialised Skills

The Internal Audit function shall have access to specialised skills from within or outside the organisation as necessary to address specific audit requirements and complexities, including counter fraud and investigation activities.

Independence and Objectivity

Internal Audit resources shall be independent and objective, free from any conflicts of interest, to ensure unbiased and effective audit activities.

Adequate Budget

The Internal Audit function shall be allocated an adequate budget to meet its objectives and execute its audit plan effectively, ensuring the necessary resources are available, including those required for counter fraud and investigation work.

Responsibility for Internal Audit Resources

The responsibility for ensuring that Internal Audit resources are in place lies with the Combined Fire Authority as well as the Audit Committee. The Audit Committee reviews and approves the Internal Audit plan and resource requirements, ensuring that the Internal Audit function is adequately resourced.

Section 10.01 of the Global Internal Audit Standards (GIAS) requires the Head of Internal Audit to seek budget approval from the Audit Committee. However, senior management is responsible for allocating and approving service budgets. Despite this, the Audit Committee plays a crucial role in ensuring that sufficient budget and resources are allocated to Internal Audit. They can raise concerns with management if they believe additional budget and resources are necessary to support the internal audit function effectively. Additionally, the Head of Audit will promptly communicate the impact of insufficient financial resources to the board and senior management, as per the GIAS requirements.

The Head of Internal Audit ensures that the Internal Audit Service has the necessary skills and competencies to perform their duties, including those related to counter fraud and investigation work. The committee ensures that the Internal Audit function remains independent and objective, and it monitors the implementation of the Internal Audit plan and the use of resources.

Section 4.1 of the Global Internal Audit Standards (GIAS) requires the Head of Audit to report to the Audit Committee if resources are not adequate to fulfil the internal audit mandate effectively. This ensures that the Internal Audit function can operate independently and provide the necessary assurance and advisory services without any limitations

Competency

The Head of Internal Audit and audit managers are required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies (CCAB) or professional membership of the Chartered Institute of Internal Auditors (CIIA). It is expected that senior auditors will either hold or be close to and actively working towards full professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.

The county council's performance and development opportunities are applicable to all staff within the Internal Audit Service, which supports continuous staff development.

Quality Assurance and Improvement

The Head of Internal Audit operates a quality assurance and improvement programme that both monitors the ongoing performance of Internal Audit activity and

periodically assesses the Internal Audit Service's compliance with the Global Internal Audit Standards (GIAS). This includes both internal and external assessments and is set out in a separate quality assurance and improvement programme.

The results of the quality assurance and improvement programme, including any areas of non-conformance with GIAS, are reported annually to the Audit Committee. This report will include information regarding:

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

Non-Audit Work

The Head of Internal Audit shall maintain independence and objectivity in the performance of their duties. To ensure this, the Head of Internal Audit shall not have responsibilities for non-audit functions that could impair their professional judgment.

If the Head of Internal Audit does have responsibilities for non-audit functions such as the Investigation Service, clear segregation of duties and safeguards shall be in place to maintain the independence and objectivity of the Internal Audit function. Any such responsibilities shall be disclosed to the Audit Committee, which shall regularly review these arrangements to ensure the Internal Audit function remains independent and effective.

Title	
Version number	1
Document author(s) name and role title	Laura Rix- Audit Manager
Document owner name and role title	Laura Rix- Audit Manager
Document approver name and role title	Fire Combined Audit Committee

Date of creation		Review cycle	
Last review	June 2025	Next review date	March 2026 (in line with the Audit Plan)

Version	Date	Section/Reference	Amendment

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 16 July 2025

Internal Audit Monitoring Report

(Appendix A refers)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866(804)

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2025/26.

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 A 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

Appendix A: Internal Audit Service monitoring report: period ended 06 June 2025

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
06 June 2025**

1 Purpose of this report

1.1 The Internal Audit Plan for 2025/26 was approved by the Audit Committee in March 2025. This report details the progress to date in undertaking the agreed coverage.

2 Internal audit work undertaken

2.1 To date, two days have been spent this financial year on completion of the 2025/26 plan. The table in section 3 below provides a summary of the assignments that comprise the 2025/26 audit plan.

2.2 Time spent between 1 April 2025 and 6 June 2025 in completing assignments from the 2024/25 audit programme, has been accounted for within the 2024/25 Annual Report of the Head of Internal Audit.

Use of this report

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

3 Progress

Audit review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
<i>Governance and business effectiveness</i>					
Overall governance, risk management and control arrangements	3	0	3	Not started	
<i>Service delivery and support</i>					
Risk Management	12	1	11	Scoping	N/A
Business Continuity	10	0	10	Not started	N/A
<i>Business processes</i>					

Lancashire Combined Fire Authority
 Internal Audit Service monitoring report: period ended 6 June 2025

VAT	8	0	8	Not started	N/A
Treasury Management	10	0	10	Not started	N/A
Procurement	12	0	12	Not started	N/A
<i>Follow up audit activity</i>					
Follow up activity	4	0	4	Not started	N/A
<i>Other components of the audit plan</i>					
Management activity	10	1	9	Ongoing	
National Fraud Initiative	1	0	1		
Total	70	2	68		

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.
- **Reasonable 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.*

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 16 July 2025

Risk Management

(Appendix A - Risk Matrix refers)

Contact for further information – Esma Alicehajic, Senior Business Continuity and Emergency Planning Officer Tel: 01772 866 6874

Executive Summary

The Lancashire Fire and Rescue Service (LFRS) risk management policy, procedure, and the associated organisational risk register aligns with ISO 31000:2018 standards and is in line with the National Fire Chiefs Council (NFCC) template and represents good practice in the sector. Effective risk management practices are integrated into quarterly Executive Board and Corporate Performance Board (CPB) meetings, it provides strategic oversight, ensures legislative compliance, optimises resource allocation, and facilitates risk reporting to the Combined Fire Authority.

The Audit Committee provides independent assurance to governance stakeholders regarding the adequacy of LFRS's risk management processes. This report provides the Committee with the latest Risk Register and its content and is an opportunity to consider the adequacy of LFRS's risk management arrangements. The risk register is dynamic, and any changes are approved by the CPB.

Recommendation(s)

- The Audit Committee is requested to endorse LFRS's risk management arrangements and note the up-to-date Corporate Risk Matrix and Register.

Information

The Audit Committee is a cornerstone of the Authority's governance framework, tasked with providing independent assurance to governance stakeholders regarding the adequacy of LFRS's risk management framework, annual governance processes, and internal control environment. Its primary function includes evaluating the effectiveness of the Authority's risk management arrangements.

The Civil Contingencies Act (CCA 2004) sets out the legal framework for contingency arrangements to assess, plan and advise against LFRS organisational risks, be it departmental or corporate, however, there is no prescriptive way within the framework of doing this. Therefore, the Service has the freedom to manage risk using a method that ensures a clear governance structure that best meets the needs of the business.

This moral and statutory duty not only requires LFRS to take all reasonable actions to safeguard its employees, assets, and the public, but also to ensure that it is not financially or operationally disrupted. It can meet this duty by ensuring that risk management plays an integral part in the governance of the Service at a strategic, tactical and operational level.

The risk management policy and procedure at LFRS ensures compliance with legislative requirements and NFCC good practice. The policy and procedure are aligned with ISO 31000:2018, to ensure an accurate description and appropriate monitoring and management of LFRS risks. Additionally, a tiered approach to risk is in place, allowing for escalation or de-escalation as needed.

Effective risk management practices aligned with ISO 31000:2018 yield numerous benefits for LFRS, including proactive risk mitigation, enhanced decision-making, clear accountability, and improved financial control.

Risk management is integrated into quarterly Executive Board and CPB meetings, as a standing agenda item LFRS aims to provide strategic oversight of the risk management process. Overall, these measures enable LFRS to fulfil its legislative duties and optimise resource allocation while providing a structured mechanism for reporting on risk to the Audit Committee.

The Corporate Risk register and matrix is reviewed quarterly, and updates provided by all pertinent risk managers and owners, the matrix and summary of the register is included as Appendix A for the Audit Committee's review.

Business risk

The business risk to LFRS of not implementing an efficient and effective risk management system can be catastrophic in terms of financial impacts, service provision, health and safety, service objectives, KPIs, reputation and for government relationships.

Sustainability or Environmental Impact

There are no identified impacts on sustainability or the environment.

Equality and Diversity Implications

There are no identified implications on equality and diversity.

Data Protection (GDPR)

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

If the answer is yes, please contact a member of the Democratic Services Team to assist with the appropriate exemption clause for confidential consideration under part 2 of the agenda.

HR implications

The long-term outcome of this proposal is that risks will be managed more efficiently therefore having a positive impact on managers time in dealing with risk impacts.

Financial implications

The long-term implications of this proposal will allow LFRS to make evidence-based decisions and consider the cost benefit of risk versus the acceptance of the risk impacts.

Legal implications

Failure to establish robust mechanisms for identifying and managing organisational risks within LFRS could lead to non-compliance with the Civil Contingencies Act (CCA) 2004.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

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

Appendix A: Corporate Risk Matrix and Summary Register

Corporate Risk Matrix and Summary Register

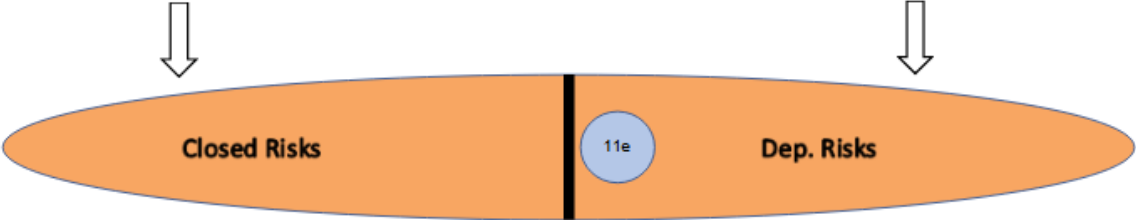
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Impact		1	2	3	4	5
Likelihood		Minor	Noticable	Significant	Critical	Catastrophic
5	Certain/ Almost certain			11f		
4	Very likely		2d		2a	
3	Likely		2c	4b, 2b, 5, 9a, 11c	4a	
2	Unlikely		8b	1b, 10a, 10b, 1a, 1d, 12a		
1	Rare/very Unlikely			3c, 3d, 12b, 3b-i, 3a, 6a		
				1c, 12b, 11b, 11a		

KEY

- New Risk
- Existing Risk
- Priority Reduction
- Tolerance (ongoing reduction)
- Within Appetite (monitor)

↓ 3a – Loss of Telecommunication
 ↓ 6a – Changes to Emergency Response Driver Training
 ↓ 11a – Fire Spread in High Rise
 ↓ 12a – Management of Personal Data
 ↑ 4a – Cyber Security



2a – Loss of funding
11f – Retention and recruitment of on-call staff

Risk ID	Sub Risk ID	Risk Cause	Triggers
1		Loss or lack of staff due to...	A widespread event or situation that leads to a significant loss of workforce ability to undertake normal business
	1a	Industrial Action	A local or national dispute with a major or multiple unions leading to staff undertaking partial performance or withdrawal of labour
	1b	Inability to recruit or retain key staff	Decline in available workforce due to a number of factors a. long term illnesses b. high level of retirement c. Service cannot offer competitive salary d. poor levels of recruitment due to social, or financial pressures and capacity of current workforce to undertake promotion processes e. perception of service and culture discouraging applications f. ineffective recruitment programme
	1c	Inability to provide sufficient staff in leadership roles	a. The ECR, delivered in 2024, resulted in an increase in the number of supervisory roles available b. The historical retirement profile has resulted in a large number of promotions over the years resulting in a reduced pool of staff available for promotion.
	1d	Pandemic/ill-health epidemic	An ill-health epidemic or pandemic reducing ability of staff to attend or access to workplace, either due to their own illness, to prevent or reduce transmission and to care for dependants
2		Financial Pressures	Insufficient funding or unbudgeted cost pressures that financial sustainability and ability to maintain critical functions
	2a	Loss of funding	a. Government reduction of grant monies affecting income b. Change in Fair Funding Formula or Business Rates Retention impacting on LFRS share of funding c. Change in local or national economic circumstances resulting in reductions in Council Tax or Business Rates
	2b	Overspending and future financial pressures on MTFS due to increase in costs of goods and services and pay	a. Unexpected event that leads to rise in costs for goods and services and pay e.g. Fuel costs due to Ukraine war, Global recession b. higher than budgeted pay award
	2c	Future financial pressures on MTFS due to changes in legislation	a. Changes in building regulations resulting in higher costs than in our MTFS assumptions i.e. BREEM regulations b. New environmental targets resulting in increase costs in the future i.e. Net zero targets

Risk ID	Sub Risk ID	Risk Cause	Triggers
	2d	Emerging risk associated with grey book pensions and overspending due to increase in costs and administrations associated with changes to pensions	a. Unexpected changes to the pension schemes due to court rulings.
3		Loss of Utilities	An event or situation, malicious or non-malicious, that causes a partial or total loss of a utilities services
	3a	Telecommunications	Severe weather, Space weather, failure of equipment due to fault or malicious attack on national or local telecoms infrastructure at LFRS and/or NWFC. This could also be due to loss or withdrawal of contracts from suppliers.
	3b (i)	Power outage - Generally	Severe weather, space weather, failure of equipment due to fault or malicious attack on national or local power infrastructure or supply chains. Local or national demand is above capacity leading to Rota load disconnections etc.
	3b (ii)	Power outage - SHQ	Severe weather, space weather, failure of equipment due to fault or malicious attack on national or local power infrastructure or supply chains. Local or national demand is above capacity leading to Rota load disconnections etc.
	3b (iii)	Power outage - LDC	Severe weather, space weather, failure of equipment due to fault or malicious attack on national or local power infrastructure or supply chains. Local or national demand is above capacity leading to Rota load disconnections etc.
	3c	Water	Large scale failure of water company equipment due to fault or malicious attack on national or local processing and pumping infrastructure or supply chains, or failure of private company.
	3d	Fuel	Failure of equipment due to fault, incident, industrial action or malicious attack on national or local infrastructure or supply chains. Geopolitical issues affecting access to fuel from international sources. Public behaviour (panic buying as a result of any of above scenarios)
4		Loss of ICT	Partial or total loss of physical or electronic/virtual ICT systems due to a fault, accidental damage or malicious attack.
	4a	Cyber Security	Partial or total loss of electronic/virtual ICT systems due to a malicious attack.
	4b	Failure of key ICT systems	Partial or total loss of physical or electronic/virtual ICT systems due to a fault, accidental damage or malicious attack.
5		Death or Serious injury of...	An incident that causes the death or serious injury of a person either in or interacting with the Service

Risk ID	Sub Risk ID	Risk Cause	Triggers
	5a	A member of staff or contractor during work activities	An incident in the workplace related to general duties e.g. a member of staff involved in RTC whilst undertaking duties, slips trips and falls.
	5b	A member of staff during operational activities	An incident enroute to, on an incident ground or in operational training scenario e.g. falling debris.
	5c	A member of the public due to Service activities	An incident or situation that leads to the death or serious injury of a member of the public. During operational response, training activities or any other public interaction, or incident on Service premises. OR Failure to appropriately assess, inform or safeguard the public from hazards and risks associated with fires
	5d	Death of member of staff, visitor or contractor due to on service premises	An incident or situation on service premises or estate that leads to death or serious injury. Failure to provide appropriate risk assessment, first aid provision/ training, damaged or faulty equipment or buildings/structures.
	5e	Failure to identify and implement learning from past events.	Failure to properly investigate and implement actions following recommendations, from a near miss, death or serious injury to mitigate risk for the future
6		Change in national legislation requiring additional workloads to assess implement and embed.	Change in national legislation requiring additional workloads, this might be due to a significant event requiring learning, new government initiatives or change in political landscape
	6a	Changes to Emergency Response Driver Training	Change in Fire Standard for Emergency Response Driver Training requiring additional workloads in training
8		Loss of Service Premises	An event or situation, malicious or non-malicious, that causes a partial or total loss of a fire service asset
	8b	Control room	Severe weather, physical or technical attack or failure, general damage to building, denial of access (e.g. Protests/ IA), failure of contracts with third party supplier (e.g. joint/co-located premises)
9		Failure to maximise opportunities	An event or situation that could provide an opportunity to improve the Service, which if not utilised could have a negative impact on the Service's progress

Risk ID	Sub Risk ID	Risk Cause	Triggers
	9a	Technological advances	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT & DT department, and an inability of staff to keep pace with new developments that are implemented
10		Failure to manage incidents or staff conduct effectively, including inadequate handling of complaints or disciplinary processes, leading to loss of public confidence or reputational damage.	An incident or situation that results in loss of public or staff confidence due to employee conduct (in the workplace, personal life, or on social media), non-compliance with Service policies, the Core Code of Ethics, or EDI principles; compounded by negative media coverage or the Service's mismanagement of the response.
	10a	Failure to provide appropriate communications on events, situations or incidents that could lead to a loss of public confidence in LFRS	An event or situation relating to, loss of public or staff confidence due to Employee conduct at work, in personal life and on social media, failure to adhere to service policy/core code of ethics/ EDI and related negative press, or Sector events.
	10b	Failure to implement appropriate people processes in response to staff misconduct or complaints.	Allegations or evidence of staff misconduct (e.g., bullying, harassment, discrimination). Failure to act in line with Service Values, Core Code of Ethics, Staff Code of Conduct or service policy. Delays or inconsistencies in investigations or decision making. Lack of transparency or perceived fairness in internal procedures
11		Operational	An event or situation that could impact on LFRS ability to respond effectively and efficiently.
	11a	Rapid external fire spread in high rise premises	An event or situation relating to lack of prevention, protection and operational response leading to a major incident.
	11b	Complete removal of DCP	A challenge from a Union to current local agreement.
	11c	Lack of required skills of operational staff	A situation where operational staff do not possess the required skill to operate safely at an incident
	11f	Retention, development and recruitment of On Call staff	The failure to recruit and retain on-call staff caused by lack of on-call recruiting strategies, not being perceived as a desirable employer, not being competitive in pay rates, not providing enough flexibility to on-call staff with work arrangements.
12		General	An event or situation that could impact on LFRS

Risk ID	Sub Risk ID	Risk Cause	Triggers
	12a	Major lack of effective Management of personal data	A situation or event caused by the lack of effective information management in LFRS
	12b	Lack of effective Management of personal data in relation to pager messages	A situation or event caused by the lack of effective information management due to information cascade, such as sensitive information shared by pager message, and consequent mitigating measures

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**Lancashire Combined Fire Authority
Resources Committee**

Meeting to be held on 16 July 2025

Contract Standing Orders and Procurement Update

(Appendices A & B refer)

Contact for further information:

Steven Brown, Director of Corporate Services -Telephone 01772 866804

Executive Summary

The Procurement Act 2023 is designed to regulate and standardise the procurement processes across public bodies. It aims to ensure transparency, fairness, and efficiency in acquiring goods, services, and works.

This report provides members with information regarding the Procurement Act 2023, which came into effect in February 2025, and seeks some minor amendments to the Contract Standing Orders (CSO) thresholds to ensure compliance with the Act and meet current best practice.

Recommendations

The Committee is asked to:

- Note progress with implementing the requirements under the new Procurement Act 2023.
- Approve amendments to the Contract Standing Orders as set out in the report and the revised CSOs in Appendix A.

Background

1. The Procurement Act 2023 came into effect on 24 February 2025 and includes significant changes to the procedures that govern UK procurement. These are intended to create a simpler, more flexible, commercial system that better meets the needs while remaining compliant with international obligations.
2. Leaving the EU provided the UK with the responsibility and opportunity to overhaul the public procurement regulations. The four existing sets of public regulations (The Public Contracts Regulations 2015, the Utilities Contracts Regulations 2016, the Concession Contracts Regulations and the Defence and Security Public Contracts Regulations 2011) will be replaced by one set of regulations, namely the Procurement Act, which came into force on 24 February 2025.
3. Procurements that commence on or following 24 February 2025 will be regulated by the Procurement Act 2023 and the new rules. Procurement activity since 24 February to date has not been impacted by the new requirements as new procurements have been via frameworks which are compliant, but adoption of the

Contract Standing Orders (CSO) will ensure all procurement routes meet the requirements in the Act.

4. The key changes under the Procurement Act are set out below, Lancashire Fire and Rescue Service (LFRS) has made progress against all these changes, adoption of the new CSOs will enable further compliance:
 - a. Enhanced contract transparency
 - This requires all procurement contracts to be made publicly available to ensure openness and accountability. It mandates clear documentation of procurement decisions, rationale, and outcomes. Authorities must begin implementing these transparency measures by March 2025.
 - b. Greater pre-market engagement
 - Encourages dialogue between procuring entities and potential suppliers before formal procurement processes begin. This is aimed at understanding market capabilities and fostering innovation.
 - c. Streamlined procurement processes
 - Simplifies the steps and requirements involved in procurement to reduce administrative burdens and speed up project delivery. The new streamlined procedures to be adopted by March 2025.
 - d. Digitally led procurement
 - Promotes the use of digital platforms and tools to manage procurement activities efficiently. It includes online submission of bids, electronic documentation, and digital contract management. LFRS has a new e-tendering system that links to the Central Digital Platform and ensures we are complying with the electronic tendering requirements as well as allowing us to publish all required tender notices required by law.
 - e. Supplier and buyer accountability
 - Establishes mechanisms to hold both suppliers and buyers accountable for their actions during the procurement process. This includes performance monitoring and compliance audits. The accountability framework is effective from March 2025.
 - f. Emphasis on public benefit and non-commercial factors
 - Focuses on achieving broader social, environmental, and economic benefits through procurement. It encourages considering factors like sustainability, social value, and ethical practices in decision-making. Local authorities should integrate these considerations into their procurements by March 2025.

- g. New below-threshold procedure
 - Introduces a simplified process for procurements that fall below certain financial thresholds, making it easier and faster to engage smaller contracts. This new procedure came into effect in March 2025.
- h. Central debarment list
 - Implements a centralised list of suppliers who are banned from participating in public procurements due to past misconduct or poor performance. Local authorities need to check this list as part of their due diligence from March 2025.
- i. Revised evaluation criteria
 - Updates the criteria used to evaluate bids to ensure they align with modern procurement goals such as innovation, sustainability, and value for money. These revised criteria are mandatory for all procurements starting from March 2025.

5. Since the implementation of the Act new procurements have been undertaken via frameworks that meet the requirements of the Act. To ensure alternative procurement routes can be undertaken, such as open and negotiated tenders, the Contract Standing Orders are required to be updated.

Changes to the Contract Standing Orders (CSO)

6. A review of the CSOs against the Procurement Act requirements identified several areas needing updates to meet best practices. The CSOs were revised accordingly, with key changes summarized below and the updated CSOs included in Appendix A of this report. Specific changes to the CSOs are set out in Appendix B to this report.

Threshold Changes

- i. The new thresholds must also account for VAT to ensure compliance with the Transparency requirements in the Act; these have been updated and rounded accordingly.

Procurement Routes

- ii. The Act introduces several new procurement routes, including competitive tendering, negotiated procedures, and dynamic purchasing systems. These routes are designed to improve transparency, efficiency, and value for money in public procurement. The Act also includes evaluation criteria set by the Cabinet Office. The CSOs have been updated to align with the Act's procurement routes and include amended evaluation criteria from the Cabinet Office, the evaluation criteria summary is set out below:
 - Value for Money: Ensuring the best possible outcome relative to expenditure.
 - Social Value: Considering the impact on local communities and the environment.

- Supplier Capability: Assessing the ability of suppliers to deliver goods or services effectively.
- Innovation: Encouraging creative solutions and technological advancements.

Roles, Responsibilities

- iii. Clarity regarding the roles, responsibilities and sign off procedures are included in the amended CSOs and outlines who's responsible for the contract management in relation to each contract once the contract has been awarded.

Other Changes

- iv. Reference of old systems and processes has been removed and changes to the layout to ease the readability of the CSOs has been made where appropriate.

Future Reporting Arrangements

- 7. The Contract Procedure Rules will be reviewed annually or in line with any necessary legislation changes and will be presented to the CFA's Corporate Governance Committee for approval.

Financial Implications

- 8. Value for Money would be delivered by maintaining legislative compliance i.e. the Authority conducts its procurement activity in a regular and timely manner.

Legal Implications

- 9. Having Contract Standing Orders is a requirement of the Local Government Act 1972. Revising these CSOs aligns the Authority with current legislation.
- 10. Procurements (and resulting contracts) started on or after 24 February 2025 must comply with the procurement Act 2023 and therefore the new contract standing orders, except for the provisions relating to publication of payments compliance notices and other payments and contract performance information which will be brought into force at a later date.
- 11. Procurements (and resulting contracts) started before 24 February 2025 (including resulting contracts and modifications to those contracts) continue to be regulated by the previous procurement regime.

Environmental Implications

- 12. All construction projects consider environmental impact, and suppliers are encouraged to provide innovative environmentally friendly products and services.
- 13. Tender exercises undertaken by LFRS ask for bidders to confirm that they have a current Environmental and Sustainability Policy in place and that they have mechanisms in place for ensuring this is effectively monitored within their Organisation and also throughout your supply chain.

Equality and Diversity Implications

14. Each procurement project will take cognisance of equality issues, appropriate to the commodity being purchased and in line with the Public Contract Regulations 2006 and any amendments to the Procurement Directives.
15. For each procurement project, the internal customer/ lead stakeholder is responsible for completing an Equality Impact Initial Screening and subsequent Assessment where deemed required. Where an assessment is required and undertaken, the internal customer/ lead stakeholder must ensure this is done pre-procurement and any required changes are made to their specification/requirements before any exercise progresses.

Human Resource Implications

16. There are no HR implications identified as arising out of these procurement projects.

Business Risk Implications

17. The Service has identified a requirement to undertake all of the projects listed above. These investments into the Service will help to ensure that it continues to run efficiently in the medium/long term.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: Commercial Sensitivity

Appendix A: Contract Standing Orders

Appendix B: Specific amendments to the Contract Standing Orders

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Lancashire Combined Fire Authority

Contract Standing Orders

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Contract Standing Orders for Lancashire Combined Fire Authority

1. Background

- 1.1 These Standing Orders set out how Lancashire Fire Authority will contract its various requirements in line with governance legislation.
- 1.2 Completing any Procurement Process, the Authority must have regard to the objectives set out in the relevant Public Procurement Legislation, National Procurement Policy Statement (NPPS) and internal Contract Standing Orders. Objectives include:
 - Delivering value for money
 - Maximising public benefit
 - Remove barriers for Small and Medium Enterprises (SMEs), Voluntary Community and Social Enterprises (VCSE) and start-ups.
 - Acting with integrity, transparency and proportionality
 - Sharing Information and helping suppliers to better understand the authority procurement policies and decisions
 - Consideration for the inclusion of the Social Value Objectives
- 1.3 Contract Standing orders aim to explain in simple terms the rules and procedures for obtaining written quotations and competitive tenders from Suppliers for the provision of Works, Goods and Services.
- 1.4 The Authority's constitution incorporates Financial Regulations and Financial Procedure Rules that provide a framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

2. Governance

- 2.1 These Contract Standing Orders ("the CSOs") are made further to Section 135 of the Local Government Act 1972. These CSOs set out how the Contracting Authority will deliver against the obligation.
- 2.2 All procurement for contracts, by Authority staff or members (including where managed by an external organisation or public body on the Authority's behalf), MUST comply with these CSOs, the Authority's Financial Regulations, applicable Public Procurement Legislation and all other relevant UK legislation ;with 'applicable' relating to the date on which the procurement is commenced/advertised, the Framework / Dynamic Market was established or where no competitive process is required, a purchase order is raised.
- 2.3 The Authority will comply with Procurement Policy Notes (PPNs) and the National Policy Procurement Statements (NPPS).

2.4 These Contract Standing Orders should be read in conjunction with both the Financial Regulations and the Scheme of Delegation.

3. Officer Responsibilities

3.1 Officers must ensure that each procurement requirement is dealt with in accordance with any statutory requirements including relevant legislation, is within budgetary provision and is in accordance with the Constitution, these rules and all Service policies, procedures and strategies.

3.2 To ensure timely procurement activity, Chief Officers will delegate authority to appropriate employees within their Directorate/Services/Sections/Groups to procure on their behalf. Each Director must however provide and maintain a list of the officers authorised to initiate procurement, place orders and make payments specifying a maximum financial limit for each transaction within any pre-defined limits. The Scheme of Financial Delegation should be reviewed regularly. Officers must ensure before beginning any procurement that they have the appropriate authority to undertake it by means of delegated authority.

3.3 Chief Officers will ensure that all employees authorised to initiate procurement, place orders and make payments have the appropriate knowledge, skills and training to undertake the same.

3.4 The Procurement team is responsible for all procurement processes and compliance, including ownership of the project initiation documents, procurement option appraisals and process design, procurement training, procurement process management (including responsibilities for all notices up to the publication of the Contract Award Notice, ownership of the e-tendering portal, ownership and provision of all procurement templates, completion / approval of procurement templates and reports, and oversight of all activities to waivers, contract modifications or termination.

3.5 The Contract owner / Head of Service is responsible for supporting the planning for and management of all contracts (regardless of how they are procured); forward planning for re-procurement of cyclical requirements (including writing specifications for goods and services to be procured), overseeing all technical documents (including specifications), organising any legal documents that are required, supporting all stages of the procurement process, co-ordinating the resourcing of tender evaluation and moderation sessions, completing any procurement related reports and any pre-contract governance requirements.

4. Procurement Thresholds and Processes

4.1 Procurement thresholds determine which routes to market are available and what rules must be followed. Thresholds come from applicable Public Procurement Legislation and are based on the Government Procurement Agreement (GPA); these values are updated every other year.

- 4.2 The rules and available routes to market are determined by whether the estimated contract value is deemed to be “Above Threshold” (Covered Procurements / Public Contracts) or “Below Threshold.”
- 4.3 The Procurement Thresholds (see table 1) apply to all spend where it is not included within the scope of the waiver category detailed in section 6.
- 4.4 All spend must be classified by type and regime before a procurement process can be designed; this is due to different types and regimes having different financial thresholds and obligations.

Types:

- Goods (supplies or products)
- Services (labour, consultants, or technical resources)
- Works (Construction Projects)

Regimes:

- Utilities (gas, electricity, water);
- Light Touch (legal services);
- Concession (supplier risk / aid by service users)
- Exempt/Excluded (not covered).

Before a procurement process can be designed/commenced:

- (i) Officers need to decide both the initial and maximum contract durations (including any optional extension) and what might be the justification to apply those extensions.
- (ii) Depending on the value and nature of the contract being procured, the duration may be limited by the Applicable Public Procurement Legislation. Officers must check with Procurement Manager before finalising the decision.
- (iii) The estimated contract value must include the total value that could be paid over the maximum life span of the contract regardless of the chosen route to market. The value must incorporate all planned costs, additional requirements, fee/commissions, aggregate or associated goods/services or works, parts/labour, contract extensions. The contract value must include any applicable VAT.
- (iv) Where the estimated total value of a Contract exceeds or is within 10% of the relevant threshold (as set out below), the procurement must be conducted in accordance with the appropriate Procurement Rules and the appropriate UK guidelines. The application of the Procurement Rules and the appropriate UK guidelines cannot be waived by the Authority.
- (v) When considering the above, the Authority have a duty to consider the use of lots and the potential benefits this may offer such as removing barriers to local SMEs, achieve economies of scale and to manage the potential market.

Table 1 – Threshold Procurement Process

Threshold Banding (inc VAT)	Requirement	Procurement Type	Method to Procure
Up to £30,000: Goods and Services, Up to £50,000 Works.	Minimum of one written quote	Unregulated	Procurement portal for £30,000 and over.
Between £30,001 and £100,000:	Minimum of three written quotes	Regulated below threshold	Procurement Department, Procurement Portal and Find a Tender Service
Between £100,001 and £214,904:	Open Tender	Regulated below threshold	Procurement Department, Procurement Portal and Find a Tender Service
Over £214,904:	Open Tender Procedure or Competitive Flexi Procedure	Regulated above threshold	Procurement Department, Procurement Portal and Find a Tender Service

5. Excluded / Exempt Contracts (Not Regulated)

5.1 In line with the Public Procurement Legislation these standing orders do not apply to contracts that are classified as excluded or exempt as defined by the applicable public procurement legislation Exemptions include:

- (i) Contracting Authority to Contracting Authority (Subsidiary) arrangements, vertical or horizontal – subject to approval by the Monitoring Officer, e.g.
 - a. Vertical - The Contracting Authority exercises a parent or similar control or joint control with other Contracting Authorities on the entity as it does with its own departments, the entity carries out more than 80% of its activities for the controlling Contracting Authorities and there is no private sector money in the entity.
 - b. Horizontal - Contracting Authority to Contracting Authority cooperation to achieve objectives which the Contracting Authorities have in common, through an arrangement that is solely for the public interest, and no more than 20% of the activities envisaged by the arrangement are intended to be carried out for reasons other than for the purposes of their public functions.
- (ii) Subject matter exemptions:
 - a. Certain types of legal advice, e.g. relating to judicial proceedings and/or dispute resolution.
 - b. Certain types of financial advice, e.g. funding or financing arrangements, investment services.
 - c. Employment contracts.

- d. Purchases made at public auction or of goods sold due to insolvency
- e. Land contracts (including leases, licenses, and transfers)
- f. Grants of money, these cannot be contracts as there is no consideration, and they are not services required to be delivered by the Authority
- g. Any other arrangements excluded by the Applicable Public Procurement Legislation

6. Waiver To Contract Standing Orders Procedure

- 6.1 Any Officer requesting the right to waiver Contract Standings Orders must seek advice from the Procurement Team before engaging with any supplier. Any request to waive the relevant to procedure must be the form of a written report identifying the justification for requesting exemption. The waiver value must include all aggregated spend with the supplier and be inclusive of VAT. All exemption requested must be submitted to the Deputy Head of Procurement using the Waiver Request form.
- 6.2 Circumstances a waiver can be considered:
- (i) Effective competition is prevented due to government control.
 - (ii) The supply or service is unique to a single supplier such as proprietary or patented goods or is deemed necessary due to the requirements of operational alignment and there is no satisfactory alternative.
 - (iii) The service or works are of a specialist nature and can only be carried out by one supplier.
 - (iv) The emergency requirements are brought about by events that could not have reasonably been foreseen.
 - (v) If the goods or services are not procured there is a risk of danger to life or property or a major impact on the Authority or the public.
 - (vi) The market is such that effective competition does not exist, and it can clearly be demonstrated that the proposed award represents best value for the Authority.
- 6.3 It is the responsibility of the Procurement Department to record any waivers on the contracts register and publish the award notice in accordance with the applicable Procurement Legislation.
- 6.4 For all procurement projects with a total Contract value under £100,000 (including VAT) the Chief Fire Officer and Treasurer/Director of Corporate Services can approve a waiver. The Procurement Department will facilitate the request approvals from the relevant Officers.
- 6.5 Any waiver relating to procurement projects in excess of £100,000 but not exceeding the relevant Procurement Threshold (including VAT) must be approved by the Chair of Combined Fire Authority.
- 6.6 Please refer to table 2 below for authorisation signatories required in regard to financial limits for waivers:

Table 2 – Financial Limits

Financial Limit	Head of Procurement	CFO	Treasurer and Executive Board	Combined Fire Authority
Under £100,000 (inc VAT)	Y	Y	Y	
Over £100,001 (inc.VAT)	Y	Y	Y	Y

7 Contracts Awarded Under Framework

- 7.1 The Authority may award a public contract or a regulated below threshold contract that is covered by a framework which the Authority has concluded, or which another Contracting Authority has concluded and which the Authority is permitted to use. Such contracts are also known as Call Off Contracts.
- 7.2 Any Call Off Contract must be signed by all parties no later than the last date of the enabling framework.
- 7.3 Any decision to award a Call Off Contract from a framework shall be taken in accordance with the terms and conditions of the relevant framework.

8 Pre-Procurement / Tender Requirements

- 8.1 A full set of procurement / associated tender documents must be published alongside the tender notice of which suppliers can access on the Central Digital Platform and the Procurement Portal.
- 8.2 All competitive procedures must be managed and shared through the e-tendering Portal including, supplier communications, and clarifications with the exception of anything commercially sensitive.
- 8.3 The Procurement team will hold an organisation Pipeline. For all procurements valued at (£2m inc. VAT) the authority must publish a Pipeline notice no later than the 26th of May each financial year.
- 8.4 Before publishing a tender notice for a Regulated Procurement, the Authority shall consider whether to undertake preliminary market engagement. Where the Authority undertakes preliminary market engagement, it shall, unless it has good reason not to publish a preliminary market engagement notice. Officers must ensure that any preliminary market engagement does not put any suppliers at an unfair advantage; or otherwise distort competition.
- 8.5 The Authority may undertake preliminary market engagement for any Unregulated Procurement in such a manner as it deems appropriate, provided such engagement does not put any supplier at an unfair advantage or otherwise distort competition.

- 8.6 Before commencing a Regulated Procurement, the Authority shall consider whether the requirement could reasonably be supplied under more than one contract and whether such contracts could appropriately be awarded by reference to Lots. Any reason to not include Lots must be recorded in the Tender Notice.
- 8.7 The Authority may make a direct award if the award meets the requirements of the Direct Award Justifications of Schedule 5 of the PA and must publish a transparency notice.

9 Regulated Procurement - Tenders

- 9.1 Regulated Procurement shall be undertaken in a way which is fully compliant with the PA.
- 9.2 The scope of this section covers all of the Authority's above PA threshold requirements, except where the contract is awarded under a Framework or a Dynamic Market or a justification exists for a Direct Award.
- 9.3 Regulated Procurements shall be conducted applying either the Open Procedure or the Competitive Flexible Procedure. A decision to follow the Competitive Flexible Procedure shall be made only after consultation with the Procurement Team.
- 9.4 All tender opportunities must be commenced by the publication of a tender notice and be placed on the Procurement Portal and the UK E-notification service. In the case of a Competitive Flexible Procedure, the tender notice shall either invite suppliers to submit a request to participate in the process or invite suppliers to submit their first or only tender as part of the procedure. Officers shall seek the advice of the Procurement Team as to which of the forms of tender shall be used in those circumstances.
- 9.5 No tender opportunity shall be placed on the Procurement Portal and the UK E-notification service until the Authority has prepared a specification for the goods, works or services, the conditions of contract, the conditions of participation and the invitation to tender (Open Procedure) or participate in the Competitive Flexible Procedure.
- 9.6 Each invitation to tender or participate shall contain the following information:-
- (i) A statement of the validity of a submitted tender (which shall not be less than 90 days).
 - (ii) An anti-collusion certificate.
 - (iii) A form of tender.
 - (iv) The evaluation criteria, the weighting to be applied to such criteria and the scoring methodology for assessing the evaluation.
 - (v) In the case of a competitive flexible procedure a statement as to whether the procedure will be conducted in successive

stages and if so whether the Authority intends to refine the evaluation criteria and/or the weightings.

- (vi) A statement as to whether a parent company guarantee, a performance bond or other security is required from the suppliers.
- (vii) A statement that the Authority is not bound to accept any tender.
- (viii) Notification that tenders are submitted at the bidder's expense.

- 9.7 Clarification questions relating to the procurement may be asked by bidders up to 6 days prior to the tender submission deadline. The Authority shall respond to all clarifications as soon as reasonably possible and no later than 4 days prior to the tender submission deadline. All responses to clarification questions shall be provided to all bidders, unless the bidder requesting the clarification has indicated that the question is confidential. Where a bidder has indicated that a question is confidential, the officers shall seek confirmation from the Procurement Team as to whether it is agreed that the information is confidential. If the Authority agrees, the response shall be sent to the bidder who submitted the clarification question only. If the Authority disagrees, the bidder which submitted the question shall be given the opportunity to withdraw the question. If the question is not withdrawn, the response shall be provided to all bidders.
- 9.8 All communication with bidders in an Open Procedure shall be conducted through the Procurement Portal. Officers and members shall make no direct contact in person, telephone or email with suppliers under any circumstances.
- 9.9 All communication with bidders in a Competitive Flexible Procedure shall be conducted through the portal, except to the extent that the Authority has determined the formal structure of the procedure to include face to face or online meetings.
- 9.10 No post-tender clarification shall be undertaken in an Open Procedure except with the agreement of the Procurement Team.
- 9.11 Post tender clarification may be undertaken in a Competitive Flexible Procedure provided it has been allowed for as part of the procedure or is authorised by the Procurement Team.
- 9.12 Post-tender negotiations are not permitted in an Open Procedure. Negotiations may be undertaken at any stage in a Competitive Flexible Procedure, provided that they have been allowed for as part of the procedure. However, even where such negotiations have been allowed for in the procurement as part of the outlined procedure, they shall not be undertaken without the presence of the Procurement Team.

10. Opening Of Tenders and Quotations

- 10.1 After the designated deadline stipulated for submission of responses, the Procurement Department will co-ordinate the opening of all submissions which will be retained in a virtual 'sealed box' until the designated opening time.

10.2 All tender responses via the e-portal must be opened by the Procurement Department. A representative from the budget holders department can also attend if they wish to.

10.3 The Procurement Department is responsible for making arrangements to receipt, store and open tender documents.

11. Regulated Procurement – Participation Conditions / Supplier Exclusion

11.1 It is not a requirement of the PA to set Conditions of Participation, which assess a potential supplier's legal and financial and technical ability to carry out the contract. However, the Authority ordinarily will set Conditions of Participation to ensure that a potential supplier has the requisite capacity and technical ability to perform the contract. The approval of the Procurement Team will be required to proceed with a procurement without the Authority setting Conditions of Participation as part of the procedure. Where Conditions of Participation are required, the PA does not prescribe the means of proof relating to these conditions, but any conditions set must be a proportionate means of ensuring suppliers have the relevant capacity or ability, having regard to the nature, cost and complexity of the contract. The Authority may not request information, as a Condition of Participation, which is expressly prohibited by section 22(4) of the PA.

11.2 The Authority may exclude a supplier from participating or progressing in a competitive tendering procedure when the supplier has not satisfied the Conditions of Participation.

11.3 The Authority shall disregard any tender from a supplier that is an Excluded Supplier. An Excluded Supplier is defined within the PA.

11.4 Before conducting the evaluation of an Open Procedure tender, the Authority shall consider whether the supplier is an Excludable Supplier.

11.5 Where the Authority receives a tender from an Excludable Supplier, it shall consider whether it shall allow or disregard that tender. No decision to allow or exclude an Excludable Supplier shall be taken without the agreement of the Head of Procurement.

11.6 As part of every tendering procedure, the Authority shall request information about whether a supplier is intending to subcontract any part of the performance of the contract and shall request that such information as is deemed necessary to determine whether the subcontractor is an Excluded Supplier or an Excludable Supplier.

11.7 Where a proposed subcontractor is an Excludable Supplier, the Authority shall treat the supplier as an Excludable Supplier.

11.8 Where the Authority determines to exclude the supplier it shall notify the supplier of its intention and give the supplier a reasonable opportunity to find an alternative subcontractor.

11.9 The Authority shall exclude a supplier if it acts improperly, and its behaviour puts it at an unfair advantage in relation to the award. A supplier is deemed to have acted improperly where it:-

- (i) Fails to provide information requested by the Authority,
- (ii) Provides incomplete, inaccurate or misleading information.
- (iii) Accesses the Authority's confidential information; or
- (iv) Unduly influences the Authority's decision making in relation to any contract.

11.10 Where the Authority excludes a supplier, it shall notify the Cabinet Office.

11.11 The Authority shall exclude a supplier which is on the Debarment List or is an Associated Person of a supplier on the Debarment List.

12 Regulated Procurement – Evaluation

12.1 Officers are required to design and effectively communicate the evaluation / assessment methodology that will be applied to the tender responses submitted by suppliers. This must include detailing whether the assessment methodology will be based on lowest price (where permitted), price per quality point or a price to quality ration. In each case, the following will apply:

- (i) For quality and social value – the detailed questions include specific response guidance, the scoring methodology / matrix, and the importance/weighting to be applied to each question.
- (ii) For price – details on how the value will be calculated and how it will be evaluated or divided by the quality score).

12.2 A public contract shall be awarded to the most advantageous tender which satisfies the Authority's requirements, and award criteria. The award criteria must relate to the subject matter of the contract and be clear, measurable, specific and proportionate having considered the nature, complexity and cost of the contract. Technical specifications of contracts must satisfy PA requirements.

12.3 Award criteria must not be amended after the Tender Notice had been published.

12.4 An evaluation must be made of all tender or quotation responses by an evaluation panel. The number of people on the evaluation panel will be a minimum of two (2) but it can vary depending on the type and complexity of the Contract.

12.5 The evaluation will include a comparison of the tender sum against the estimate for the Goods, Services or Works prepared in advance of the Suppliers being invited to tender/quote. Where errors or discrepancies are found that may affect the tender/quote sum, the Supplier may be notified in writing and afforded an opportunity to confirm the submitted sum without amendment, amend their bid to correct an arithmetical error, or withdraw

their bid. A written record of any revisions or withdrawals must be maintained.

- 12.6 The Authority will evaluate and award Contracts to the Supplier(s) it considers offers the best value having regard to both price and quality factors. This is referred to as the 'most advantageous tender' (MAT) and provides for the Contract to be awarded to the Supplier best able to meet the Authority's requirement, specification and budget.
- 12.7 Both supplier tender and quotation responses MUST be delivered to the designated e-tendering system by the date and time specified. Late tender and quotation responses should be rejected unless it is proven that the reason for the late submission was due to technical failure of the portal.
- 12.8 The Authority has the right (but is not obliged) to seek clarification on the submissions as part of the evaluation process. Where this prerogative is utilised, all suppliers will be treated equally.

13 Clarification And Negotiations

- 13.1 After the receipt of responses, officers may need to contact bidders to clarify technical and contractual information as part of the evaluation process. Any such communication must be confidential, and a written record made of the reason for contact and the outcome.
- 13.2 Any negotiation with a bidder to specifically discuss the pricing submitted in their tender response should:
 - (i) Be undertaken only by the Procurement representative in the presence of at least one officer who isn't involved in the project (the Independent Observer). All negotiations must be conducted confidentially and in a manner which provides equal opportunity for all Suppliers who have provided responses, and which maintains the highest levels of probity;
 - (ii) At the conclusion of negotiations each Supplier must be invited to submit a best and final price.
- 13.3 Where post-tender negotiation results in a fundamental change in specification (or contract terms) the contract must not be awarded and must be re-tendered.
- 13.4 If a supplier attempts to negotiate a contract post award, where this is not permitted, the Authority may disregard the supplier and award the contract to the next ranked compliant supplier.

14 Contract Award – Tenders and Quotations

- 14.1 The award of a Contract to the successful Supplier(s) must be conditional upon the tender costs being within budgetary limits and subject to the appropriate approval being granted to proceed.

- 14.2 Following completion of the evaluation of responses to an opportunity with a value above £30,000, a tender evaluation report must be completed. The report will validate best practice and the requirements of the Authority's Financial Regulations and Financial Procedure Rules
- 14.3 A contract rewards report must be completed and authorised as outlined in the table below (on the basis that the relevant managers have been consulted with):

Financial Limit (inc. VAT)	Dept. Head	Relevant Director	Treasurer	Member Tender Panel
Up to £30,000	Y			
£30,001 - £100,000	Y	Y	Y	
Over £100,000	Y	Y	Y	Y
Over £214,000,	Y	Y	Y	Y

- 14.4 For all above threshold / covered procurements, the Authority must apply a minimum eight (8) day standstill period before entering into the contract (excluding Utilities, Light Touch or contracts awarded under Framework, in which case a standstill period is optional). This provides the opportunity for unsuccessful suppliers to request debrief information and to potentially challenge the decision formally before a Contract is signed.
- 14.5 All unsuccessful suppliers must be notified of the outcome of the procurement promptly in writing providing the reasons for elimination from the process including:
- (i) The criteria for the award of the contract.
 - (ii) The reason for the decision, including the characteristics and relative advantages of the successful tender.
 - (iii) The score (if any) obtained by the bidder to whom the notice is addressed and that of the successful bidder.
 - (iv) Social Value commitments.
 - (v) Any reason why the unsuccessful bidder did not meet the technical specifications.
 - (vi) The name of the successful bidder.
- 14.6 Disclosure may be withheld if any of the following apply:
- (i) Impede law enforcement.
 - (ii) Otherwise be contrary to public interest.
 - (iii) Prejudice the legitimate commercial interests of any economic operator.
 - (iv) Might prejudice fair competition.
- 14.7 The formal contract award notice must be published on the Central Digital Platform within 30 days of the award of the contract.
- 14.8 The successful Supplier(s) should be notified promptly in writing following acceptance of the tender or quote response and the Contract must be issued to the Supplier with a formal request to sign and return 2 copies. On receipt

of the signed Contracts from the Supplier, the Authority will sign the Contract to form the legally binding agreement, returning one copy to the Supplier(s). All Contracts and orders shall be in writing and made in the name of the Authority

15 Contracts Awarded Under Dynamic Markets

- 15.1 The Authority may establish arrangements for the purpose of awarding public contracts known as a Dynamic Market by submitting a Dynamic Market Notice to the UK E-notification service and Procurement Portal.
- 15.2 In establishing a Dynamic Market, the Authority shall set conditions for participation relating to the legal and financial capacity to perform contracts to be awarded by reference to membership of the Dynamic Market and which have the technical ability to perform the contract. Such conditions shall be proportionate to the requirements, having regard to the nature, complexity and cost of the contract to be awarded.
- 15.3 To award a public contract under a Dynamic Market, the Authority must utilise the Competitive Flexible Procedure.
- 15.4 If a tender is submitted by a supplier which is not a member of the Dynamic Market, the Authority shall exclude the supplier unless the supplier has made an application for membership of the Dynamic Market and the Authority has accepted the application.

16 Purchasing From a Centralised Procurement Authority

- 16.1 The Authority may purchase goods, services or works from a Centralised Procurement Authority without the need for additional competition. Note this is not the same as a procurement framework which a Centralised Procurement Authority has set up.

17 Collaborative Procurements

- 17.1 Where the Authority is required under its own powers or at the request of a partner authority to procure on its behalf, those procurements must apply with Applicable Public Procurement Legislation and other relevant legislation more generally.
- 17.2 Each Authority must comply with its own Contract Standing Orders with regards to financial, procurement and delegated authority requirements and its own scheme of delegation for contract signing.
- 17.3 The Policing and Crime Act 2017 places a duty on Police, Fire and Ambulance Services to seek opportunities through collaboration where it is efficient or effective to do so.
- 17.4 The Procurement team will review all new procurement requirements, ensuring all opportunities to collaborate with partner organisations are exploited where they offer benefits to the Authority and collaborate with partners to develop new joint contracts.

18 Sealed Contracts and Record Keeping

- 18.1 All Contracts which relate to the purchase of land or have potential long term liabilities and would benefit from the added legal protection afforded by the process of sealing shall be made by affixing the Common Seal. This shall only be attested by the Clerk to the Authority, the Authority solicitor, the CFO (Chief Fire Officer), DoCS (Director of Corporate Services) or DoPD (Director of People and Development).
- 18.2 In every written Contract for the execution of Works or the supply of Goods or Services the Supplier shall be prohibited from transferring or assigning or novating directly or indirectly to any person or persons whatever, any portion of that Contract without the written permission of the Authority. Sub-letting, other than that which may be customary in the trade concerned, shall be prohibited.
- 18.3 All submissions and supporting documentation for any procurement must be retained for seven (7) years from the commencement of the Contract by the Procurement Team.
- 18.4 All ordinary contracts must be retained for seven (7) years after expiry and contracts under seal thirteen (13) years after contract expiry.

19 Contract Management

- 19.1 All contracts must be managed in accordance with the Procurement Legislation. The Contract manager is the Budget Holder or Project Owner, and is responsible for
- 19.2 Meetings & Performance Management.
- 19.3 The Contract Manager will set up a series of meetings to kick off, administer and manage delivery of the contract. These meetings will as a minimum monitor and report on the following:
- (i) Supplier & Supply Chain Suitability – ensure that the Contracting Authority is not contracting directly or indirectly with unsuitable (Excluded/ Excludable) suppliers.
 - (ii) Key Performance Indicators – delivery against the agreed criteria. KPI's are mandatory for all contracts over £5 million and must include a minimum of three KPI's.
 - (iii) Contract Performance – e.g. satisfactory delivery of the contract.
 - (iv) Contracting Authority Payment Performance –the Contracting Authority is required to pay the Supplier within 30 days of receiving a valid/undisputed invoice.
 - (v) Supplier Payment Performance - the Supplier is required to pay their supply chain within 30 days of receiving a valid/undisputed invoice.
 - (vi) Supplier Contracts – the supplier is required to enter into a legally binding agreement with suppliers on whom they are relying on to meet the technical, legal, or financial conditions of participation.

- (vii) Modifications – all modifications to a contract must be documented, along with the value and justification.

20 Term Of Contract

- 20.1 The term of a Contract may be extended with the approval of the budget holder if there is provision within the Contract Terms and Conditions to extend and the agreement of the Director of Corporate Services has been given with regards to budgetary provision. If the Contract has already been extended to the full extent within the provisions of the existing Contract, it cannot be extended further.
- 20.2 If there is no provision within the Contract Terms and Conditions for the Contract to be extended the approval of the Clerk to the Authority, and the Treasurer must be sought to any proposed extension of the term of the Contract and a record kept of the reasons.
- 20.3 The Contract term cannot be extended where this would result in the total contract value exceeding the procurement thresholds.
- 20.4 In order to avoid any issues with the above it is best practice to ensure that Contracts are re-tendered in line with these Contract Standing Orders well in advance of their completion date.

21 Contract Modifications

- 21.1 All modifications must be managed in accordance with the contract and in compliance of what is permitted under the applicable Public Procurement Legislation, i.e. Schedule 8 of PA.
- 21.2 It is necessary to publish a contract change notice for any modification except for a below threshold modification and a modification which increases or decreases the term of the contract by less than 10%.

22 Termination

- 22.1 In the event any performance requirements are not being met, the Contracting Authority may terminate the contract in accordance with the stated contract clauses. Where required, this to be reported in accordance with Applicable Public Procurement Legislation.

23 Notices

- 23.1 Where required under Applicable Public Procurement Legislation, the Contracting Authority may be required to publish a notice. The notices that may be required include the following:
 - (i) Contract Performance Notice – used to report on KPIs and whether the contract is being delivered to the required standards.
 - (ii) Payment Compliance Notice – used to publish the Contracting Authority's payment performance.

- (iii) Contract Modification Notice – used to publish details of a proposed modification to a contract where there is an increase or decrease in the estimated contract value over a specific value.
- (iv) Contract Termination Notice – used where the Contracting Authority terminates a contract in full.

24 Corrupt Practices

- 24.1 In every written Contract a clause must be inserted to ensure that the Authority is entitled to terminate the Contract and recover from the Supplier the amount of any loss resulting from such termination, if the Supplier has:
- (i) Offered, given or agreed to give to any person a gift or consideration of any kind as an inducement or reward for doing or not doing anything related to the Contract or any other Contract with the Authority.
 - (ii) For favouring or not favouring any person in relation to a Contract, by any person employed by the Supplier or acting on their behalf.
 - (iii) The Supplier, or any person employed by them or acting on their behalf, has committed an offence under the Bribery Act (2010) or any amendment of the Act.
 - (iv) Shall have given any fee or reward, the receipt of which is an offence under the Local Government Act 1972.
- 24.2 All Authority members and officers must comply with the Authority's anti-fraud/ anti-bribery policies and relevant codes of conduct.

25 Third Parties

- 25.1 In cases where a third party, such as a local authority, private architect or consultant is employed to act for the Authority in the carrying out of Works or purchase of supplies, it shall be a term of their appointment that they shall:
- (i) Observe or otherwise secure the observance of the procedures prescribed within these Contract Standing Orders;
 - (ii) Produce on demand, all records maintained by them in relation to the Contract; and
 - (iii) On completion of a Contract, transmit all such records to the Procurement department.

Definitions:

Term	Definition
Assessment Summary	<p>A letter detailing the outcome of the assessment of any Tenders received.</p> <p>For the winning Supplier it will include their scores and reasons for those scores against each of the published Award Criteria.</p> <p>For all losing Suppliers, the letter will include their scores and the reason for those scores against each of the published Award Criteria and the same information for the winning Supplier.</p>
Authority	Lancashire Combined Fire Authority (CFA) Lancashire Fire and Rescue Service (LFRS).
Award Criteria/Assessment Methodology	<p>Criteria set in accordance with section 23 of the Procurement Act 2023 against which Tenders may be assessed for the purpose of awarding a Public Contract. These criteria must:</p> <ul style="list-style-type: none"> • relate to the subject-matter of the Contract, • be sufficiently clear, measurable, and specific, • not break the rules on technical specifications in section 56, and • be a proportionate means of assessing Tenders, having regard to the nature, complexity, and cost of the Contract. <p>Where there are several criteria, their weighting or relative importance must be stated. Tender documents must include a scoring matrix and where required detail the minimum score required by a supplier which if this isn't met they could be excluded from the process.</p>
Below Thresholds Procurement	A procurement which is below the Covered Procurement threshold and not exempt from the Procurement Act 2023. PPN-11_23-New-Thresholds.pdf (publishing.service.gov.uk)
Best Value	The Best Value Duty relates to the statutory requirement for a local authority as defined in Part 1 of 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”.
Breach of Contract	Failure to meet and conditions of the contract
Budget Holder	The Authority representative with budgetary responsibility.

Capital Expenditure	Expenditure involving the acquisition or enhancement of fixed assets with a long-term value to the Authority, such as land, buildings, and major items of plant, equipment, or vehicles.
Capital Programme	The programme of Capital expenditure agreed by Fire Authority.
Categories	Where establishing a dynamic market, the Authority may divide the DM into categories (Lots/ specialism) to facilitate access by SMEs and drive effective competition.
Central Digital Platform (CDP)	The Central Digital Platform will be where all UK Contracting Authorities publish information relating to procurement. It is also the place where identifiers are recorded and/or issued and for suppliers to input their commonly used information.
Closed Framework	A framework that opens for competition, one or more bidders are appointed and then the framework is closed for any new submissions for a period of time.
Code of Conduct	The code of conduct binding on all Officers of the Authority.
Common Assessment Standard	A standardised pre-qualification questionnaire (PQQ) for the construction sector. It aims to streamline the construction procurement process by providing a unified set of questions for assessing suppliers.
Competitive Flexible Procedure	This is a multi-staged procurement which can include: a discrete Conditions Of Participation stage, limiting Suppliers (following the SQ or other assessments), one or more Tender rounds (and intermediate assessments), refinement of the Award Criteria, modification of the Tender procedure, interaction with the Suppliers (e.g., negotiations, presentations, site visits) and then following a final submission, there is a potential to finesse the submission and subsequent staged awards – all of this being subject to what was specified in the Invitation to Tender document.
Competitive Selection Process	A procurement process where all the Suppliers on the Framework (or a specific Lot) are invited to submit a Tender in line with the Framework rules and in line with the Specification for the Contract to be let, and the Specification of the Framework.
Competitive Tendering Procedures	This includes the Open Procedure and the Competitive Flexible Procedure.
Concession Contracts	A Contract for the supply, for pecuniary interest, of works or services to an Authority where — a. at least part of the consideration for that supply is a right to exploit, and b. under the Contract the Supplier is exposed to a real operating risk.

	(It may also be paid for by service users rather than the Authority)
Conditions of Participation	These are conditions that a Supplier must satisfy if the Supplier is to be awarded the Contract. These conditions must be a proportionate means of assuring that a Supplier has: • the legal and financial capacity to perform the Contract, or • the technical ability to perform the Contract.
Conditions of Tendering	The rules/conditions by which a competitive procurement process will be conducted, and with which a Supplier must comply if they are not to be excluded from the procurement process.
Conflict Assessment	An assessment that has been carried out by the Authority and in which it identifies all and any potential or actual conflicts and the actions taken/to be taken to mitigate them to ensure equal treatment.
Conflict of Interest	The Act requires Contracting Authorities to identify and keep under review actual and potential conflicts of interest. Contracting Authorities must also mitigate conflicts of interest and address circumstances which they consider are likely to cause a reasonable person to wrongly believe there to be a conflict or potential conflict of interest ('perceived conflict of interest').
Contract	An agreement to be made/concluded in writing between the Authority and a Supplier for a specific set of requirements. For a low value contract, this may be made by way of raising a Purchase Order (PO) and attaching the Authority's standard PO terms and conditions.
Contract Award Notice	A notice that is published on the Central Digital Platform and that informs the market of and intent to award and where a Mandatory Standstill Period (or Voluntary Standstill Period) is required. This notice initiates that Standstill Period. There is a different form of notice for below and above threshold procurements.
Contract Change Notice	For Contracts let under the Procurement Act 2023, this is a notice that must be published before a Contract modification is applied in accordance with Section 75. For Contracts let under the Public Contracts Regulations 2015, a modification notice must be published where a modification is made under Regulation 72(b) or 72(c).
Contract Details Notice	A notice that confirms that the Contract has been entered into in accordance with Section 53 of the Procurement Act 2023. There is a different form of notice for below and above threshold procurements.
Contract Management	Contract Management is the active management of the relationship between the Authority and the Supplier over the term of the Contract for the provision of services, goods or works to a set of agreed standards.

Contract Management Notice	For Contracts valued over £5 million, under the Procurement Act 2023, the Authority is required to publish KPIs and an assessment of performance against those KPIs. In addition, the Authority must publish a poor performance notice where the Supplier has breached a Public Contract and that breach has resulted in termination, partial termination, award of damages, or a settlement agreement; or the Authority considers that a Supplier is not performing a Public Contract to the Authority's satisfaction (even if the Supplier is not in breach of the contract); and having been given a proper opportunity to improve performance has failed to do so.
Contract Managers/Contracting Officer	An Officer with responsibility for conducting the purchasing processes for the purchase of works, goods or services on behalf of the Authority and that manages the resultant Contract and ensures day-to-day activities are conducted in accordance with its terms and conditions.
Contract Modification	For Contracts let under the Procurement Act 2023, this is a modification permitted under Section 74 and Schedule 8 of the Act or is not a substantial modification or is a below-threshold modification. For Contracts let under the Public Contracts Regulations 2015, this is a modification permitted under Regulation 72.
Contract Standing Orders (CSOs)	The key document which sets out the Authority's principles of procurement, roles and responsibilities, contract procedure rules and processes involved in purchasing services, goods, and works contracts.
Contracts Register	A register of the Authority's Contracts that exceed £30,000, including VAT, made publicly available via the Authority's E-Procurement System.
Contract Value	The estimated total monetary value of a Contract over its full duration and any extensions or potential variations. (N.B. not just the annual value.) Where the duration of a Contract is indeterminate, this will be taken to be the estimated value of the Contract over a period of four years.
Covered Procurement	An above threshold procurement that is intended to result in a Public Contract. PPN-11_23-New Thresholds.pdf (publishing.service.gov.uk)
Data Protection Act 2018	The legislation that controls how personal information is used by organisations, businesses, and/or the Government.
Dialogue	A discussion between the Authority and Suppliers about any aspect of the procurement.
Direct Award	The award of a Contract without a competitive process.
Discretionary Exclusion Grounds	These are set out in Schedule 7 of the Procurement Act 2023.

Dynamic Market	A list of Suppliers who have met the published conditions of membership and are eligible to submit a Tender against a competition let under the market. These markets can be set up to purchase any requirements that the Authority may wish to purchase and require the use of the competitive flexible procedure to award the Contract.
E-Procurement System	A system for the end-to-end tendering process. Both suppliers and buyers submit and respond to tenders electronically.
Equalities Act 2010	Protects individuals from various forms of discrimination and harassment relating to disability, age, gender, religion/belief, and sexuality.
Estimated Contract Value	The value being estimated by the Authority for the entire possible scope (including any optional extras) and duration (including any possible extensions) of the potential contract requirements including all other options, premiums, fees etc as may become due under the contract. This must include the anticipated whole life costs and be inclusive of VAT.
Excludable Supplier	An Excludable Supplier is a Supplier to whom a discretionary exclusion ground applies, and such exclusion ground circumstances are continuing/ likely to occur again; or they are on the debarment list by virtue of a discretionary exclusion ground. Tenders from excludable Suppliers may be disregarded in any Competitive Tendering Process (PA s.26(2)) and Contracting Authorities may exclude an Excludable Supplier from participating in a Competitive Flexible Procedure (PA s.27(1)(b)). The Authority may also terminate a Contract with a Supplier who becomes an excluded Supplier after the award of the Contract or where one of their sub-Contractors is an
Excluded Supplier	An Excluded Supplier is a supplier to which a mandatory exclusion ground applies and the circumstances giving rise to the application of that exclusion ground are likely to occur again; or the supplier is on the debarment list by virtue of a mandatory exclusion ground.
Exempt Contracts	The kind of Contract listed in Schedule 2 of the Procurement Act 2023.
Financial Regulations	The Authority's rules relating to financial procedures.
Framework	Frameworks help public sector buyers to procure goods and services from a list of pre-approved suppliers, with agreed terms and conditions and legal protections.
Freedom of Information Act	Freedom of Information Act 2000 is an act defining the ways in which the public may obtain access to government-held information.
Head of Service	An Officer of the Authority employed to manage and lead a particular service area.

Invitation to Tender (ITT)	The document that invites Suppliers to submit a Request to Participate or a Tender in response to a Tender Notice. It must include clear instructions of what is required, a description of the procurement process, the Conditions of Tendering, and the Award Criteria/ Assessment Methodology as a minimum.
Key Performance Indicators (KPI's)	A factor or measure against which a Supplier's performance of a Contract can be assessed during the life cycle of the Contract.
Light Touch Regime	These are Contracts/procurements which cover Health, Social Care, Community Service, legal and Education related requirements.
Lots	Splitting the goods, services or works to be supplied into more than one Contract to make them accessible to SMEs with the aim of promoting effective competition.
Mandatory Exclusion Grounds	Schedule 6 of the Procurement Act 2023 sets out the grounds for mandatory exclusions.
Most Advantageous Tender (MAT)	Is the Tender that the Authority considers— a. Satisfies the Authority's requirements, and b. Best satisfies the Award Criteria when assessed against them.
Member	An elected Member to the Fire Authority.
Monitoring Officer	The statutory officer responsible for the legal governance of the Authority.
National Policy Procurement Statement (NPPS)	National procurement policy statement outlining the strategic priorities for public procurement.
Negotiation	A discussion between the Authority and a Supplier with a view to improving the content of Tenders.
Officer	Any member of staff within the Authority.
Open Framework	A scheme of Frameworks where the initial Framework is open for three years or less, and the subsequent Frameworks cannot last for more than five years before it must be re-opened. The maximum overall term being eight years.
Open Procedure	This is a single stage procedure where any interested Supplier can submit a Tender; and a Supplier's suitability, capacity and capability and their Tender response are all evaluated together.
Performance Bond	A performance bond is issued to the Authority as a guarantee against the failure of the Supplier to meet the obligations of the Contract. A performance bond is usually issued by a bank or an insurance company.
Pipeline Notice	The annual notice to be published by Contracting Authorities to inform the market of the Contracts to be procured/awarded in the coming reporting period. It is only relevant for Contracting Authorities that will pay more than £100 million under relevant contracts in the coming financial year.

Preliminary Market Engagement	This can be used for the purpose of developing the Authority's requirements and approach to the planned procurement.
Presentation Demonstration	A meeting with a Supplier where they present their proposed delivery methodology or demonstrate a specific element/product within their proposal to aid the Authority in understanding the proposed solution and how it meets the Specification.
Procurement Award Report	Document that details the procurement process including the evaluation.
Procurement Initial Report	Document that details the proposed procurement process including the budget, evaluation criteria, sourcing options.
Procurement Legislation guidance	The guidance issued by the Cabinet Office that is to be considered in the development and delivery of the procurement process. Procurement Act 2023 - Guidance documents - GOV.UK (www.gov.uk) Procurement policy notes - GOV.UK (www.gov.uk).
Procurement Thresholds	The values that determine the available routes to market, set by the Cabinet Office and reviewed every two years.
Procurement Request Form	Document that outlines the key steps and requirements for initiating a procurement process.
Public Contract	This is a contract that is above the relevant threshold (for goods, services and works) and which is not an exempted contract.
Public Services (Social Value Act) 2012	The Act that places a requirement to consider the economic, environmental, and social benefits of the procurement.
Procurement Policy Notes	Documents that provide guidance on best practices for public sector procurement. They are issued by Government bodies, such as the Cabinet Office and Crown Commercial Service in the UK, to help public sector organisations and suppliers understand and comply with procurement regulations and policies.
Purchase Order	A commercial document issued by the Authority to a seller, specifying the types, quantities and agreed prices for products or services the Authority intends to purchase.
Quotation	The provision of a price to deliver the Authority's requirements (may include a method statement too), without the conduct of a formal (advertised) procurement process.
Relevant Public Sector Legislation	Including but not limited to • Local Government Act 1988 Part II, • Local government Act 1999, • Local Government Act 2000, • Local Government (Contracts) Act 1997 • Equalities Act 2010 • TUPE 2006 • Localism Act 2011 • Small Business, Enterprise, and Employment Act 2015 • Modern Slavery Act 2015 • The Public Services (Social Value) Act 2012 • Local Government

	Transparency Code 2015 • The Health and Safety at Work etc. Act 1974.
Relevant Procurement Legislation	• Public Contracts Regulations 2015 or Concession Contracts Regulations 2016 • Procurement Act 2023, Procurement Regulations 2024 • Provider Services Regime 2023 where the procurement relates to health care services.
Request to Participate	The submission of a response to the Conditions of Participation published with a Tender Notice where these Conditions of Participation are a discrete stage in a Competitive Flexible Procedure.
Sensitive Commercial Information	Information that constitutes a trade secret or would be likely to prejudice the commercial interests of any person if it were published or otherwise disclosed.
Site Visit	A visit to an office, or project location to aid a Supplier in understanding the Contract requirements/specification and to aid in putting in an effective and compliant Tender.
Specification	The document that sets out the Authority's specific requirements for a specific contract/project.
SMEs	Small and Medium Enterprises – fewer than 250 employees and annual turnover not exceeding approximately £50 million.
Standstill Period	A period of eight working days commencing on the day that the Contract Award Notice was published on the Central Digital Platform. Mandatory for all Covered Procurements other than for the following exceptions, for which a Voluntary Standstill Period of eight working days may still be applied. <ul style="list-style-type: none"> • Direct Award • Award under a Framework • Award by reference to a Dynamic Market • A light touch Contract
Suppliers	Economic operators, tenderers, bidders, contractors (or subcontractors), third party organisations supplying goods, services or works to the Authority.
Tender Notices	An invitation issued by the Authority to Suppliers to submit proposals or bids to provide goods or services.
Tender Records	A record of all decision made during the life of a Covered Procurement.
Tender Stages	Initial, intermediate, and/or final Tender stage in a Competitive Flexible Procedure.
Treaty State Supplier	A supplier that is entitled to the benefits of an international agreement (part of the WTO or other formal arrangement).
Utilities Contracts	A Contract for the supply of goods, services or works wholly or mainly for the purpose of a utility activity (gas, electricity, water).

Value for Money	The balance of quality and price deemed representative of the Most Advantageous Tender.
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Specific amendments to the Contract Standing Orders

Paragraph No	Change
1.2	Updated to Cabinet Office Guidance
2.1 – 2.4	New section added to provide governance context for users
3.4 – 3.5	Strengthened to provide greater clarity on roles and responsibilities.
4.1 – 4.11	Section strengthened to ensure compliance with the Procurement Act and provide greater clarity for users.
5.1	Added to provide clarity on current public procurement legislation
6.1 – 6.5	No change to the thresholds to ensure compliance with the Financial regulations but the process has been strengthened in line with procurement best practice
7.1 – 7.3	Added to ensure compliance with the Procurement Act
8.1 – 8.7	Added to ensure compliance with the Procurement Act
9.1 – 9.10	Added to ensure compliance with the Procurement Act
10.3	Added to clarify roles and responsibilities
11.1 – 11.11	Added to ensure compliance with the Procurement Act
12.2 – 12.8	Added to ensure compliance with both the Procurement Act and Cabinet Officer requirements
14.2	Added to comply with the Procurement Act
14.4	Expanded to provide greater clarity
14.7 – 14.8	Added to ensure compliance with the Procurement Act
18.1 – 18.2	Section added to provide additional information for users
19.1 – 19.3	Section added to strengthen expectations of contract managers, meeting the Procurement Act requirements and NFCC guidance.
20.1 – 23.1	Sections have been added to ensure compliance with the Procurement Act and related legislation, providing clear guidelines for contract management, modifications, termination, and notices.