

# Auditor's Annual Report

## Lancashire Fire and Rescue Service

For the year ending 2020-21  
12 November 2021



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

# Executive summary



## Value for money arrangements and key recommendation(s)

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



## Opinion on the financial statements

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

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# Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

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

We did not issue any statutory recommendation.

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## Public interest report

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

We did not issue any public interest reports.

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## Application to the Court

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

We did not issue any applications to the Court.

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## Advisory notice

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

We did not issue any advisory notices.

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

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

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We did not issue any judicial reviews.

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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



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

# Financial sustainability



## We considered how the Authority:

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

## Addressing financial pressures

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

### Funding

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

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

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

### Staff costs

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

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

### Unexpected new requirements

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

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

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

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

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

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

### Budget process

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

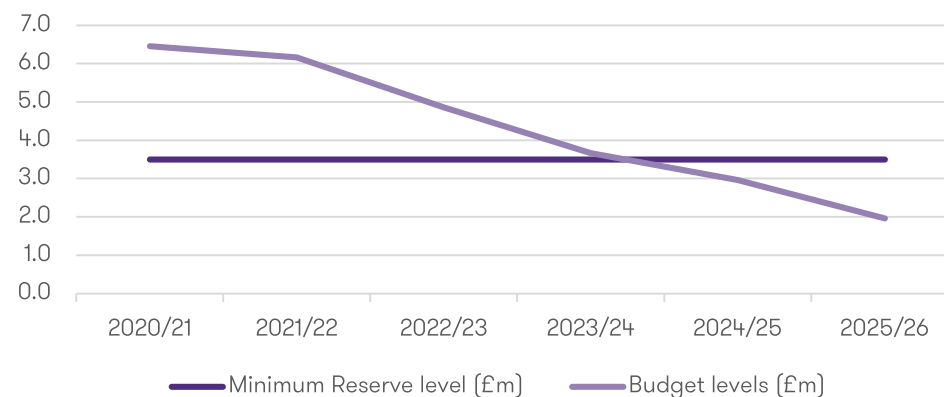
The process allows for sufficient input from stakeholders and challenge from executives and the Combined Fire Authority.

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

### Funding gaps and savings

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

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



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

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

## Sustainable delivery of services

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

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

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

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

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

## Consistency with other plans

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

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

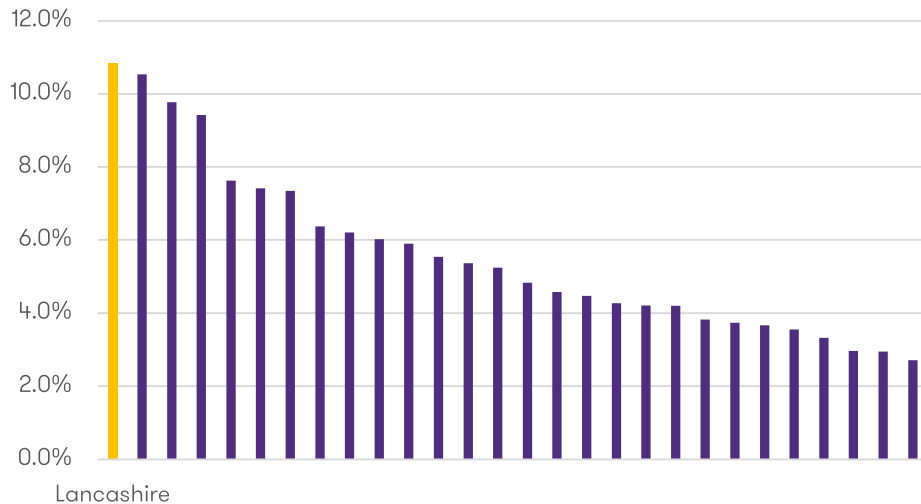




## Managing financial resilience

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

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



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

## Summary of findings

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



# Improvement recommendations

## Financial sustainability

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



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

# Governance



## We considered how the Authority:

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

## Leadership and committee effectiveness

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

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

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

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

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

## Risk Management Framework



## Risk management

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

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

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

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

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

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

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

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

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

### Policies, procedures and controls

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

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

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

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

### Budget setting and monitoring

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

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

### Treasury Management

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

### Finance team capacity

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

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

### Monitoring and ensuring appropriate standards

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

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

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

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

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

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

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

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

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

### Summary of findings

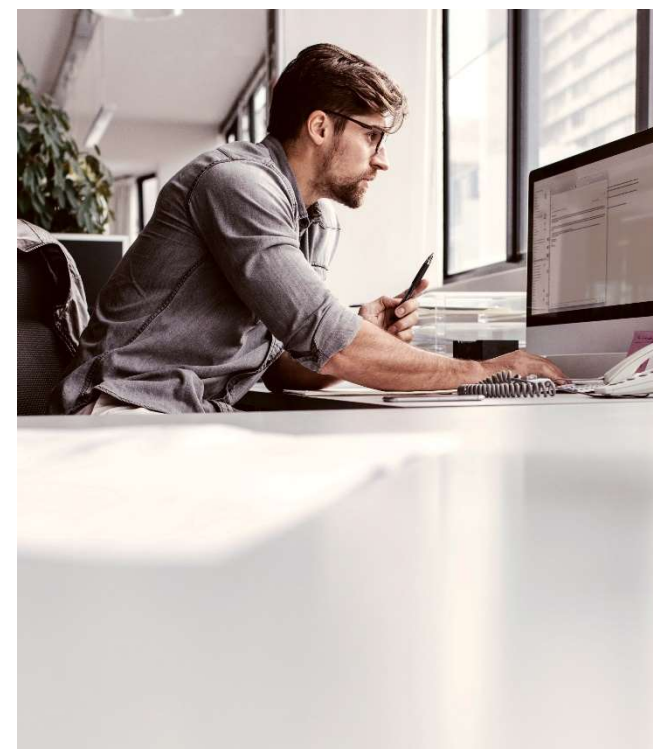
Overall, we found no evidence of any significant weaknesses in the Authority’s arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made three improvement recommendations. Two of these relate to risk management and the other relates to the completeness of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



# Improvement recommendations

## Governance

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



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

# Improvement recommendations

## Governance

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



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

# Improvement recommendations

## Governance

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

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

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

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

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



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



# Improving economy, efficiency and effectiveness



## We considered how the Authority:

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

## Identifying areas for improvement

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

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

These align well with the Authority's Corporate Strategy.

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

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

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

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

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

## Working with others

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

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

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

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

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



## Procurement

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

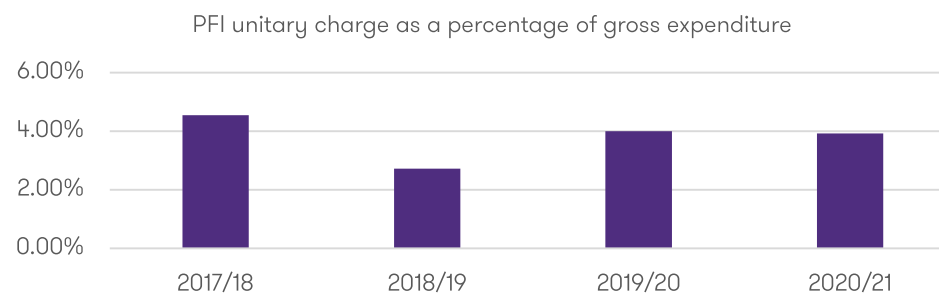
The Authority's website has a section on procurement which details its approach to procurement publicly, which is consistent with the Authority operating fair and open procurements.

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

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

## PFI schemes

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



## Summary of findings

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

# COVID-19 arrangements



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

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

## Financial sustainability

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

## Governance

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

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

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

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

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

## Improving economy, efficiency and effectiveness

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

In support of the Lancashire Local Resilience

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

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

## Summary of findings

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



# Opinion on the financial statements



## Audit opinion on the financial statements

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

## Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

## Audit Findings Report

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

## Whole of Government Accounts

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

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

## Preparation of the accounts

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

## Findings arising from the accounts:

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

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

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



# Appendices

# Appendix A - Responsibilities of the Fire and Rescue Service



## Role of the accountable officer:

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

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

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

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

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

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

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



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

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

# Appendix C - An explanatory note on recommendations

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

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





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