

Lancashire Combined Fire Authority

Audit Committee

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

MINUTES

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

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

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

14/22	<u>EXTERNAL AUDIT - LETTER OF REPRESENTATION</u>
	<p>As part of the year-end process the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been.</p> <p>The Treasurer confirmed he would sign the letter, as there were no issues which he felt required disclosure.</p> <p><u>RESOLVED</u>: - That the Audit Committee authorised the signing of the letter by the Chair of the Committee.</p>
15/22	<u>EXTERNAL AUDIT - AUDIT FINDINGS REPORT</u>
	<p>Georgia Jones, Key Audit Partner presented the Audit Findings report to the Committee.</p> <p>Under the statutory Code of Audit Practice for Local Government bodies the Authority's external auditors, Grant Thornton were required to issue a report to those charged with governance summarising the conclusions from their audit work.</p> <p>Georgia Jones advised that at the time of writing the report the audit work was substantially complete and there were no matters of which they were aware that would require modification of the audit opinion or material change to the financial statements, subject to outstanding matters listed below:-</p> <ul style="list-style-type: none"> • responses from the pension fund auditor to gain assurance on underpinning controls and supporting data for the pension fund net liability; • receipt of management representation letter; • review of the final set of financial statements; and • final quality procedures. <p>There were two recommendations relating to Oracle password configuration set out on page 20 of the report (page 38 of the agenda pack), and the Self-authorisation of journals set out on page 21 of the report (page 39 of the agenda pack: -</p> <ol style="list-style-type: none"> 1. "We identified a weakness in Oracle password configuration. The password length is set to 6 characters and does not include a minimum password length of 8 characters as per leading practices." <p>Members were informed that it related to the existing finance system which was being replaced in December and, as such it was not proposed to amend this within the existing system.</p> <ol style="list-style-type: none"> 2. "Our risk assessment of journal controls noted that there are no automated controls on the finance system to prevent members of finance staff approving their own journals. Whilst our audit work on journals so far has not identified any significant issues as a result of this weakness in

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

The response to this was consistent with previous responses "We have considered the recommendation. We believe our financial monitoring processes are sufficient to identify if such an instance occurred. Neither ourselves, nor internal and external audit, have discovered any instances of error or reporting fraud that the implementation of this would have prevented. Hence, given the size of our finance team, we do not feel that introducing further controls is practical or proportionate to the risk."

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

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

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

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

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

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

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

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

	<p>An audit fee of £40.8k had been agreed as part of the Audit Plan. The final fee would be confirmed once the audit was complete.</p> <p>The Director of Corporate Services advised that the deadline for the accountants approving the audit had been brought forward for next year and that he felt the revised deadline would be extremely challenging for the Authority. He emphasised that, overall, it was a positive report given that it had been a challenging year, as it would be next year.</p> <p>The Chairman agreed that the report was very positive and thanked Georgia Jones for being forthright.</p> <p><u>RESOLVED:</u> - That the Committee: -</p> <ul style="list-style-type: none"> i) Noted and endorsed the matters raised in the report; ii) Noted the anticipated “unmodified” audit opinion on the financial statements; iii) Noted that the auditors had not yet completed all of their value for money work and so were not in a position to issue a report on that.
16/22	<p><u>INTERNAL AUDIT MONITORING REPORT</u></p>
	<p>The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 09 November 2022 was presented by Laura Rix.</p> <p>To date, 18.25 days had been spent this financial year on completion of the 2022/23 plan, equating to 26% of the total planned audit activity of 70 days. The table in the report showed the current status of all audit work.</p> <p>No areas of concern came to attention in conducting the assurance work to date that required bringing to the attention of committee members.</p> <p><u>RESOLVED:</u> - That the Committee noted and endorsed the report.</p>
17/22	<p><u>STATEMENT OF ACCOUNTS 2021/22</u></p>
	<p>The Chair welcomed the Service’s new Head of Finance, Jacque Meadows to the meeting.</p> <p>The Director of Corporate Services presented the report to the meeting. The report presented the Statement of accounts for the financial year ended 31 March 2022 which included the Authority’s 25% share of the North West Fire Control accounts. The Committee considered the Statement of Accounts as presented.</p> <p>The following sections summarised the details contained within the core statements:-</p>

Narrative Report

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

Comprehensive Income & Expenditure Account

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

The main points to note were:-

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

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

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

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

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

Actuarial loss on pensions assets and liabilities	13.400
Total Comprehensive Income and Expenditure	14.047

Movement in Reserves Statement

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

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

The main points were:-

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

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

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

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

Balance Sheet

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

The main points to note were:-

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

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

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

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

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

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

Cash Flow Statement

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

The main points to note were:-

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

Signing of the Draft Statement of Accounts

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

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

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

Approval and Signing of the Accounts

As all changes requested by Grant Thornton had been made to the accounts. The Treasurer to the Fire Authority and the Chair of the Audit Committee were therefore required to approve the revised accounts by signing off the Statement of Responsibilities and the Balance Sheet.

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

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

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

18/22

RISK MANAGEMENT

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

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

The Cyber Security

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

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

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

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

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

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

Risk no. 3 – Insufficient staffing resources

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

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

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

Risk no. 36 – Increase in pay costs

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

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

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

19/22

CONTRACT STANDING ORDERS - PROPOSED AMENDMENTS

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

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

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

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

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

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

FOR ALL GOODS & SERVICES & CONSULTANCY

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

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

FOR ALL WORKS

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

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

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

In addition, it was also proposed to: -

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

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

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

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

LFRS HQ
Fulwood

M NOLAN
Clerk to CFA