

# Auditor's Annual Report on Lancashire Fire and Rescue Service

2021/22

January 2023



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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 Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary






## Value for money arrangements and recommendations

Under the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to consider whether the Service has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Fire Authority’s arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but 1 improvement recommendation made.	 No significant weaknesses in arrangements identified but two improvement recommendations made.
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but 3 improvement recommendations made.	 No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified.

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

# Executive summary



## Financial sustainability

We did not identify any significant weaknesses in the Lancashire Fire and Rescue Authority's financial sustainability arrangements. Whilst the Authority continues to face significant financial pressures we consider the financial planning arrangements are sound. In particular, the Authority recognises the need to balance savings with future investment and has sound arrangements in place for budget monitoring. We made 2 improvement recommendations for tracking savings delivery and ensuring the slippage on the capital programme does not impact the delivery of strategic objectives. Our findings are set out in further details on pages 7 to 12.



## Governance

We assessed the Authority's governance arrangements across a number of areas including leadership, risk management, financial reporting and management and informed decision making. We found no evidence of a significant weakness in the Authority's arrangements for ensuring they have made informed decisions and properly manage its risks. Nor have we identified any improvement recommendations. However two of the recommendations made last year still stand. The Authority disagreed with these so has not taken an action to address them. Our findings are set out in further details on pages 13 to 15.



## Improving economy, efficiency and effectiveness

The Authority have effective arrangements in place for improving economy, efficiency and effectiveness. We did not identify any risks of significant weaknesses in the Authority's arrangements in place for improving economy, efficiency and effectiveness. Our findings are set out in further details on pages 16 to 19.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 29 November 2022. Our findings are set out in further detail on page 21.



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

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 29 November 2022. Our findings are set out in further detail on page 21.

## Statutory recommendations

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

We did not issue any statutory recommendations

## Public Interest Report

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

We did not issue a public interest report

## Application to the Court

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

We did not apply to the Court

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

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

We did not issue an advisory notice

## Judicial review

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

We did not apply for a judicial review

# Securing economy, efficiency and effectiveness in the Authority's 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 the Authority's arrangements in each of these three areas, is set out on the following pages. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Service:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of the Arrangements to ensure financial sustainability

Lancashire Fire and Rescue Authority has a good track record of delivering savings and meeting its budget. The Authority agreed a gross revenue budget 2021/22 of £58.2m which was an increase of 1.5% from the prior year. Council tax was set at £72.27 which represented a 1.99% uplift in line with the referendum limit.

The Authority achieved an overall revenue outturn underspend of £332k for 2021/22, which included the delivery of £0.749m savings against the budget target of £0.179m. Of the total savings £0.349m arose from staffing, including post reductions and managing vacancies through the year.

The underspend meant the Authority did not need to use reserves to support the budget in 2021/22.

The Authority's approach to financial planning demonstrates a clear understanding of the costs of delivering the statutory services and its future financial challenges. The table below shows the Authority's revenue outturn over the last 3 years:

	2019/20 £000	2020/21 £000	2021/22 £000
Base budget	56,051	57,339	58,175
Actual	56,300	56,976	57,844
Surplus/(Deficit)	(248) *	363	331

\* drawn down from reserves

(Source: Outturn Reports)

## Budget process

The annual budget process starts in September and 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 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 and then the final budget taken to the Combined Fire Authority in February. 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.

## Financial position and medium term plans

The Medium Term Financial Strategy (MTFS) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. This is refreshed each year and presented alongside the annual budget for the forthcoming year. In doing so it demonstrates that financial risks are considered each year in both the short and medium term.

The Authority continues to work closely with Billing Authorities to understand assumptions around the Council Tax base and the likely surplus or deficit on the Collection Funds as this will impact the income they receive.

# Financial sustainability

## Financial position and medium term plans (continued)

The Authority agreed its revenue budget, incorporating the MTFS 2022/23 to 2026/27, in February 2022 based on a 1 year funding settlement. The MTFS sets out the financial challenge faced by the Authority with key financial assumptions covering pay and non-pay inflation, other pay pressures, variations and growth. Staff costs accounted for 72% of expenditure in 2021/22, so are clearly the largest element of expenditure with an allowance of 2% built in over the 5 year period. The MTFS also includes a £5 increase in council tax in 2022/23 and a 2% council tax increase in future years, in line with the likely referendum principles.

Other key assumptions include a range of non-pay inflationary uplifts on energy (initially 25% in 2022/23, and then 2.5%), fuel (12.5% for 2022/23 and then 2.5%), rates (5% each year) and other (2.5% each year).

The Authority were able to set a balanced budget covering the 5 year MTFS period on the basis of these and other funding assumptions. The MTFS also incorporated a range of budget scenarios ranging up to a £3.8m loss of funding or a £5.5m increase in costs. The key variables are future funding levels, pay awards, pension costs and the outcome of the emergency cover review (ECR). The MTFS includes the requirement for £0.9m of savings in 2022/23 on the basis of the assumptions included in the forecast plan.

Her Majesty's Inspection of Constabulary Fire and Rescue Services (HMICFRS) completed an assessment of the Authority's effectiveness, efficiency and people in July 2022. It reported positively 'the service has a sound understanding of future financial challenges and plans to mitigate its significant financial risks. The underpinning assumptions are relatively robust, realistic and prudent, and take account of the wider external environment and some scenario planning for future spending reductions. The service plans for the possible future effect of changes in areas such as government funding, business rates, pension costs and pay, which could lead to less money being available'. It also reflected that 'although the service has a good track record of generating savings, at the time of inspection it had limited plans showing how the service would make savings or generate further income in the future'.

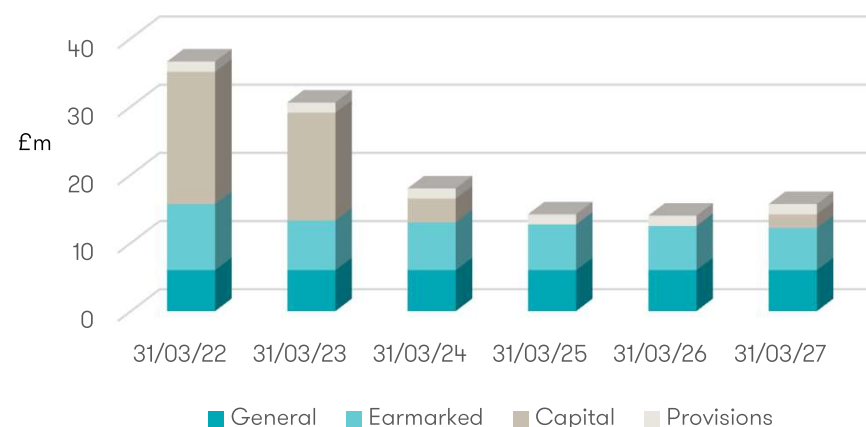
The latest quarterly financial monitoring report 2022/23 (for the 6 months to September 2022) reports an overspend of £0.5m, largely as a result of price increases on energy, fuel and property maintenance. The report also notes the potential costs with pay awards, which are £1.1m more than budgeted. There is some increased returns on investments of £0.5m which partly mitigate against these costs but the position is now one of a forecast overspend at year end of between £1.0m and £1.5m.

The Authority are continuing to review other areas for delivering savings but may need to utilise reserves in the short term to fill this budget gap. Saving schemes are approved through the budget setting process with discussions with the budget holders. Longer term savings schemes are developed through the Emergency Cover Reviews (ECR) which are carried out every three to five years, with the Authority completing the latest review in 2022.

As for all Fire Authorities, annual settlements and the lack of longer term assurances over funding make financial planning more short-term in its focus. The provisional funding settlement in December 2022 indicated some improved funding over initial forecasts in the MTFS but this is offset by ongoing cost pressures on pay, energy and inflation. As a result the Authority are projecting a balanced budget for 2023/24 after identified savings of £0.5m in the Emergency Cover Review.

In 2021-22, the Authority delivered savings of £0.749m with savings of £0.9m initially identified for 2022/23 to meet the funding gap. The projected reserves and balances position over the next 5 years is shown in the table below.

Projected reserves and balances 2022-2027



(Source: reserves and provisions outturn 2021-22)



# Financial sustainability

The Authority holds £36.7m of reserves and provisions at 31 March 2022, which includes £6m general fund and £9.7m earmarked reserves. Risks are built into the budget through the building up of the general fund reserve and provisions.

The anticipated level of reserves reduces by over £20m over the next 3 financial years, reflecting the scale of the capital programme. The general fund reserve remains at £6m and is above the minimum level of £4m set by the Treasurer. This provides a buffer for any increased expenditure or other budget shortfalls in the short term.

The reserves and balances policy 2022/23 acknowledges the reserves position will be subject to significant change as pension costs, funding, inflation, pay awards etc become clearer in future years. The annual refresh of this policy will identify the impact of any changes as they develop.

## Improvement recommendation

The Authority recognises the need to balance savings with future investment and has sound arrangements in place for budget monitoring. It needs to ensure it continues to closely monitor the delivery of its savings and efficiency plans to ensure it minimises the reduction of its reserves and achieves its strategic objectives.

## Capital strategy and budget

The Capital Programme is prepared annually through the budget setting process and is reported to the Authority for approval each February. The latest programme sets out the capital projects in the financial years 2022/23 to 2026/27 which is updated to reflect any slippage from the previous financial year (2021/22). Projects are aligned to approved asset management plans with bids for new capital projects evaluated and prioritised by Executive Board prior to seeking Authority approval.

Each budget holder is responsible for monitoring and controlling their part of the capital programme, with quarterly progress reported to the Head of Finance, alongside estimated final costs. The Resource Committee approve any revisions to the Capital Programme before spending can proceed.

The Capital budget and strategy 2022/23 to 2026/27 identifies a £47m programme over the next 5 years. Existing schemes include the relocation of the Strategic Headquarters (SHQ) of £12m from 2023/24 and the replacement of Preston Station (£7.8m) from 2022/23. The draft Capital budget in February 2022 included £6.2 m slippage from 2021/22 with a further £1.1m added in the mid year update.

The latest financial monitoring report to September 22, reported at the November 2022 Resource Committee, highlighted significant slippage in the capital programme for 2022/23. Of the £9m planned spend set out in the Capital Strategy and Budget the spend to date is £0.6m with forecast £3.3m for the year. We understand this is largely operational, with long lead in times for vehicle replacement.

## Improvement recommendation

The Authority needs to closely track the delivery of its capital programme to ensure any ongoing slippage does not impact the delivery of its strategic objectives and longer term plans.

## Consistency with other plans

It is important the Authority's workforce plan is aligned to its financial plans as staff expenditure forms a significant part of the overall budget. 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.

HMICFRS reported (July 2022) the service's financial and workforce plans, including allocating staff to prevention, protection and response, reflect and are consistent with the risks and priorities identified in the Community risk management plan (CRMP).

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, as noted previously.

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# Financial sustainability

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## 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 two improvement recommendations on:

- monitoring the delivery of savings rather than depleting General Fund reserves, and
- ensuring the slippage on the capital programme does not impact the delivery of strategic objectives.

# Improvement recommendations



## Financial sustainability

### Recommendation

The Authority needs to ensure it continues to closely monitor the delivery of its savings and efficiency plans to ensure it minimises the reduction of its reserves and achieves its strategic objectives.

### Why/impact

The latest quarterly financial monitoring report 2022/23 (for the 6 months to September 2022) reported an overspend of £0.5m, and a forecast overspend at year end of between £1.0m and £1.5m. The Authority may need to utilise reserves in the short term to fill this budget gap.

### Auditor judgement

The continued use of reserves to balance the budget is not conducive to financial sustainability.

### Summary findings

The general fund reserve remains at £6m and is above the minimum level of £4m set by the Treasurer. Although this provides a buffer for any increased expenditure or other budget shortfalls in the short term the Authority should look to minimise the usage of reserves.

### Management Comments

Agreed, this is usually done but has slipped during 2022/23 due to staff vacancies.



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

# Improvement recommendations



## Financial sustainability

### Recommendation

The Authority needs to closely track the delivery of its capital programme to ensure any ongoing slippage does not impact the delivery of its strategic objectives and longer term plans.

### Why/impact

The latest financial monitoring report to September 2022, reported at the November 2022 Resource Committee, highlighted significant slippage in the capital programme for 2022/23. Of the £9m planned spend set out in the Capital Strategy and Budget the spend to date is £0.6m with forecast £3.3m for the year.

### Auditor judgement

Ongoing capital slippage and deferral of capital expenditure may impact the delivery of key projects that affect the delivery of the Authority's strategic objectives.

### Summary findings

The Capital Strategy and Budget 2022/23 to 2026/27 identifies a £47m programme over the next 5 years. Existing schemes include the relocation of the Strategic Headquarters (SHQ) of £12m from 2023/24 and the replacement of Preston Station (£7.8m) from 2022/23. This capital strategy was approved by the Authority, aligns to fleet asset management plans and the delivery of strategic objectives.

### Management Comments

Agreed, we already do this.



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

# Governance



## We considered how the Service:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Leadership and committee effectiveness

We reported in 2020/21 that the Authority has appropriate leadership in place. The Authority is led by its Combined Fire Authority (CFA) which is made up of 25 councillors from Lancashire County Council, Blackburn with Darwen Borough Council and Blackpool Borough Council. The CFA makes key strategic decisions including setting the Council Tax precept, approving the budget requirement and reviewing items referred for a decision by a sub-committee.

The CFA is supported by a committee structure aligned to strategic objectives with clear terms of reference. These include:

- Audit - advises on the adequacy and effectiveness of governance and risk management
- Performance - considers and makes recommendations on performance management arrangements
- Planning - considers and makes decisions on planning, including consultations and communications
- Resources - consider and make decisions on financial, human resources and property related issues, and
- Appeals - hears relevant appeals, grievances and complaints.

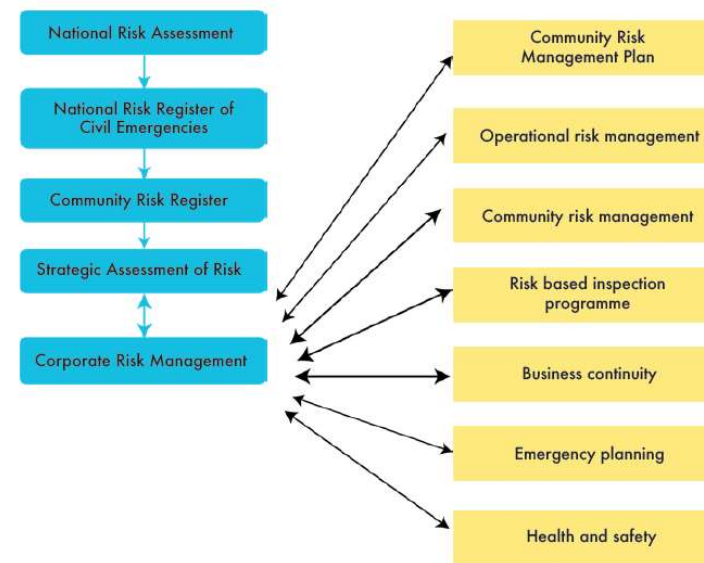
The service has a clear management structure in place. The Executive Board is made up of the Chief Fire Officer (head of paid service), and 4 Executive Directors. The Executive Board is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is supported by the Service Management Team.

From a review of committee minutes and attendance at Audit Committee we are satisfied there is adequate leadership and challenge provided from the structures in place.

In addition the recent inspection by Her Majesty's Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) 2021/22, commented 'since our last inspection the service had made some progress in the way it supports the development of leadership and high-potential staff'.

## Risk management

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 Community Risk Management Plan (CRMP).



The Authority updated the CRMP 2022/27 and approved this in February 2022. Key changes in the CRMP were:

- the underlying methodology supported by best practice guidance of the National Fire Chiefs Council (NFCC), issued June 2021
- newly developed data driven SAoR using data from the Incident Recording System (IRS) to identify the highest risk activities and incidents

# Governance

## Risk management (continued)

- Key strategies supporting the CRMP expanded to include People, Finance, Digital and Data in addition to the Prevention, Protection and Response, and
- Re-presentation of the key priorities to highlight people as the highest.

The Authority's Risk Management Strategy and framework ensures that risks to the Service's objectives are identified and appropriately managed.

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 which is the single document used to manage and control risks at a corporate level.

Risks are assessed according to the likelihood of the risk occurring and the potential impact if it did materialise. A 5 x 5 scoring mechanism for probability and impact is applied.

The Corporate Risk Register is maintained on an ongoing basis and discussed quarterly in line with Audit Committee meetings. The latest Corporate Risk Register (November 2022) reported 37 risks, with 8 red rated (highest risk level). The report provided updates on how these are being managed, risk scores, direction of travel and ownership.

The Internal Audit opinion on governance, risk management and control arrangements in 2021-22 provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

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

## Policies, procedures and controls

The Authority has Constitutional, Procedural and Contractual Standing Orders in place which outline the make up of the Authority, number of meetings, main roles, committee structure, conduct of meetings and members. The Authority's Annual Governance Statement 2021/22 sets out the key governance processes in operation throughout the Council.

The Authority's Internal Audit function is provided by Lancashire County Council's Internal Audit Service. The Authority's internal auditors deliver a wide programme of work and reports include governance, risk management and control arrangements, service delivery and support, business processes and follow up audit activity. The work delivered for 2021/22 was in line with the agreed plan and provides good coverage and allows the Audit Committee to obtain sufficient assurance.

Internal Audit report regularly to the Audit Committee throughout the year and issued a 'substantial assurance' opinion for 2021/22 in the Annual IA opinion. Details of compliance with Public Sector Internal Audit Standards (PSIAS) are included in the Annual IA opinion with the last independent assessment in January 2018. The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS which are regularly reviewed.

As noted in 2020/21 the Authority maintains a suite of governance policies including Anti-Fraud Policy, Whistleblowing Policy, and a Code of Conduct for Fire Authority Members. These were updated and approved in February 2021 along with Constitutional and Procedural Standing Orders.

The Authority also takes part in the National Fraud Initiative that matches electronic data within and between public and private sector bodies to prevent and detect fraud. No incidences of fraud were identified from the matches processed during 2021/22.

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 an appropriate budget setting and monitoring process in place. The budget is developed through stages with the refinement of assumptions and funding stream estimates, examining the budget gap and developing savings proposals throughout. Key stakeholders are involved, including through budgetary approvals and reviews. Operational budget holders receive quarterly monitoring reports, and meet with finance each quarter. Discussions between the finance team and budget holders facilitate appropriate challenge and responses to adverse variances. The Resource Committee receive detailed quarterly Financial Monitoring Reports for discussion and challenge.

The Performance Committee receive quarterly service activity reports which are separate to the financial monitoring reports. Revenue Financial Monitoring Reports include year-to-date positions within individual service departments. Where financial variances relate to higher activity, these are explained in the financial monitoring reports, allowing members to make the link between the two.

This level of scrutiny and the Authority's track record in delivering a balanced budget whilst responding to ongoing economic challenge provides assurance on the strength of the arrangements in place.

# Governance

## Treasury Management

The Authority adheres to the CIPFA Code of Practice on Treasury Management and maintains Treasury Management policies and practices to manage treasury risks. The Treasury Management Policy and Strategy is refreshed and approved annually by the 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 Authority in November. The Authority follows fundamental security, liquidity and risk principles prioritising the security of funds. The Authority's borrowings with the Public Works Loan Board (PWLB) remain at £2m, not due until 2035, and it has £10m in long term deposits as at 31 March 2022.

We did not note any significant areas of risk in borrowing or investment activity during our final accounts audit 2021/22.

## Finance team capacity

The finance team lost a key member of staff during 2021/22 with the Director of Corporate Services taking on the role of preparation of the financial statements, supported by agency staffing. The financial statements were completed to a good standard and the reduced staffing did not affect the delivery of key financial tasks. The Director of Corporate Services is retiring in 2022/23 and the Authority has already recruited to fill this post.

There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements and budgetary reports. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2021/22 and previous financial statements.

## Monitoring and ensuring appropriate standards

The inspection by Her Majesty's Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) 2021/22, published in July 2022 scored Lancashire Fire and Rescue Service as 'Outstanding' for 'How well does the FRS promote its values and culture?' HMICFRS commented that the service has continued to work on creating a culture that is in line with its values and aligned to the UK national code of ethics for fire and rescue services.

The HMICFRS report noted the service has developed a talent management process since the last inspection which staff are starting to realise the benefit from. This includes a talent management plan, with progression pathways and an appraisal process to identify talent.

The Authority has a Code of Conduct for staff 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.

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

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.

We have not identified or been made 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.



# Improving economy, efficiency and effectiveness



## We considered how the Service:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Her Majesty's Inspection of Constabulary Fire and Rescue Services (HMICFRS)

### Effectiveness, efficiency and people inspection 2021/22

HMICFRS's assessment examines the service's effectiveness, efficiency and how well it looks after its people. It gives the public information about how their local fire and rescue service is performing in important areas, in comparison with other services across England. HMICFRS completed their inspection in July 2022 and judged Lancashire Fire and Rescue service's (LFRS) effectiveness, efficiency and people as 'Good' in each of the following areas:

- How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
- How well does the fire and rescue service look after its people?

It reported the service has made good progress in most areas since the last inspections in 2018 and 2020. One sub-category of Promoting the right values and culture received an outstanding judgement.

The inspection findings reported the most important were:

- The service has improved consultation with the public and internal and external interested parties about its community risk management plan (also known as an integrated risk management plan).
- The service has made some progress in making sure it allocates enough resources to its prioritised, risk-based inspection programme. However, it is too early to see how effective the programme will be.
- Overall, the service has developed a good understanding of its future financial challenges. It has also identified savings and investment opportunities to improve its service to the public
- Since our last inspection, the service has developed a talent management process. Staff are starting to realise the benefits of this.

The report also included areas for improvement as follows:

- The service should evaluate its prevention activity, so it understands what works.
- The service should ensure it allocates enough resources to a prioritised and risk-based inspection programme.
- The service should make sure it allocates enough resources to respond effectively and in time to statutory building control consultations.
- The service should make sure that fire control has direct access to relevant and up-to-date risk information.
- The service should make sure there is a testing programme for its business continuity plans, particularly in high-risk areas of service.
- The service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity.

The Authority have set out an Organisational Assurance Improvement Plan 2022/23 to monitor the delivery of improvements outlined in the HMICFRS Inspection Report. The latest update was discussed at a senior management development day in October 2022 with quarterly monitoring and scrutiny to be taken to the Executive Board. The Executive Board will receive updates on progress made against the key areas identified in the action plan. The Authority is also setting in place future horizon scanning of all national reports to identify future risks, areas of focus and best practice to ensure it continually seeks improvement in the Service.

### Performance and performance monitoring

The Authority monitors performance through quarterly performance reports which are scrutinised by the Performance Committee, and then discussed at Combined Fire Authority meetings. The performance reports include performance against the key performance indicators (KPIs) detailed in the Community Risk Management Plan 2022/2027.



# Improving economy, efficiency and effectiveness

The KPIs are reported against the 4 key priorities of:

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

The performance report includes a clear overview of the performance direction of the KPI's within each priority. Graphic representation is given to show the relative direction of travel over the last four quarters and to highlight any negative exceptions.

The latest Quarter 2 performance report to September 2022 noted 3 negative exceptions for Staff Absence Wholetime (WT), Staff Absence Greenbook, and Fire Engine Availability On-Call Shift Systems. The report included further analysis and actions to improve performance in these areas.

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 Community Risk Management Plan.

In previous years the Authority considered an annual comparison against a 'family' group of similar sized fire authorities which compiled from Home Office data and shared with fire authorities. However the National Fire Chiefs Council (NFCC) has commenced a project in 2022 to examine Family Group data to provide improved benchmarking information. The Authority await the outcomes from the NFCC project.

## Working with others

The Authority is part of the Blue Light Collaboration (BLC) which works with other emergency services across Lancashire. The BLC is made up of Lancashire Fire and Rescue (LFRS), Lancashire Constabulary (LanCon), and North West Ambulance Service (NWAS) and meet at both tactical and strategic levels. Through these meetings the collaboration board have agreed and signed a strategic statement of intent. The aim is for the organisations to work together to explore opportunities for future collaboration.

The board meeting in September 2022 considered five projects areas covering Estates and Co-location, Leadership Development, Command Units, Missing Persons and First Responder. The objectives are to improve efficiency, effectiveness and deliver improved outcomes in these areas.

As reported in 2020/21 the Authority is also one of four 25% shareholders in North West Fire Control Limited (NWFC), a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region covering Cumbria, Lancashire, Greater Manchester and Cheshire. Every six months a representative from NWFC reports to the LCFA Performance Committee on analysis of dispatching calls and incident response.

The HMICFRS Inspection commented positively that LFRS works well with other organisations. It reported the service has good arrangements in place to respond to emergencies with other partner organisations that make up the Lancashire local resilience forum (LRF). These arrangements include working with other organisations to prepare multi-agency response plans for high-risk sites.

It noted the service is a valued partner and is represented in the LRF's strategic and tactical co-ordinating groups and sub-groups. Its response to the pandemic has strengthened its relationship and reputation within the LRF. The inspection also commented LFRS works well with other fire services and has a cross-border exercise plan with neighbouring fire and rescue services so that they can work together effectively.

HMICFRS also noted LFRS is effective at working with others, but could do more evaluation. The inspection found that the service monitored, reviewed and evaluated the benefits and results of some of its collaborations, but not all of them. Some collaborations haven't been evaluated to establish the benefits they offer and whether they are providing value for money. As a result, this remains an area of improvement for the service.

# Improving economy, efficiency and effectiveness

## Emergency Cover Review (ECR) 2023/2026

Lancashire Fire Authority undertake periodic Emergency Cover Reviews to ensure its emergency response is efficient and effective and well placed to respond to future challenge. It is an integral part of the Service's Risk Management Framework as detailed within the Community Risk Management Plan. The ECR 2023 to 2026 was endorsed by the Authority in December 2022 following a period of consultation and feedback which was incorporated into the final proposals. Key proposals are depicted in the image.

## Community risk management plan (CRMP) 2022/27

The National Fire Chiefs Council (NFCC) issued an Integrated Risk Management Plan (IRMP) best practice guidance document in June 2021.

In response the Authority updated the previous IRMP 2017-22 to be fully compliant with this guidance. It was renamed as the CRMP in line with national terminology and to provide a more engaging and identifiable strategy to the people of Lancashire. The CRMP sets out the Authority's strategic focus and medium term ambitions to make Lancashire safer over a five year period.

The approval of the CRMP in February 2022 followed a 10 week consultation period from July to September 2021 with local communities and stakeholders. Matters consulted on included:

- whether the plan identifies the greatest risks to the communities and people of Lancashire;
- identifying any unmet need;
- measures in place to mitigate and respond to risk; and
- the plan's overarching aim and priorities.

Consultation was conducted in line with the Authority's consultation strategy and feedback was used to guide the final plan. In addition the Annual Service Plan sets out the activities the Authority will undertake to deliver the strategy set out in the CRMP. The current plan for 2022-23 was approved this year and can be found on the Authority website.

HMICFRS commented positively the service has improved consultation with the public and internal and external interested parties about its community risk management plan.

### EMERGENCY COVER REVIEW

## FIT FOR THE FUTURE

We plan to improve emergency response in line with new and emerging risks in Lancashire in the following ways:



- 1. INTRODUCE MORE RESILIENT AND FLEXIBLE CREWING ARRANGEMENTS.**
- 2. OPTIMISE EMERGENCY COVER THROUGH DYNAMIC COVER SOFTWARE.**
- 3. STRENGTHEN OUR RESPONSE TO CLIMATE CHANGE EMERGENCIES:**
  - Invest in fire appliances with off-road capabilities in areas at risk of wildfires and flooding.
  - Introduce specialist flood water incident management.
- 4. STRENGTHEN FIREFIGHTING AND RESCUE CAPABILITIES IN HIGH-RISE AND COMMERCIAL BUILDINGS:**
  - Introduce a 45m aerial ladder platform into our fleet, our highest reach aerial capability to date.
  - Invest in two additional water tower appliances.
- 5. BROADEN ON-CALL FIREFIGHTING CAPABILITIES TO STRENGTHEN OPERATIONAL RESPONSE.**

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# Improving economy, efficiency and effectiveness

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## Procurement

As noted in 2020/21 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 current Procurement Strategy covers the period 2018/2021 with the Authority awaiting the outcome from the Government's green paper 'Transforming Public Sector Procurement' in December 2021 to inform future Procurement Strategies. The proposals are to streamline and simplify the complex framework of regulations that currently govern public procurement. The existing procurement strategy was therefore approved for roll forward to 2022/23.

## 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.

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	<b>Financial sustainability</b> The Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund Reserves below the minimum level.	Improvement	November 2021	Recommendation agreed.	See 2021/22	Yes recommendation raised in 2021/22
2	<b>Governance</b> Within the Corporate Risk Register we recommend each risk is mapped to the relevant corporate objective. This will enable better scrutiny of which corporate objectives are most at risk.	Improvement	November 2021	The Authority disagreed with this recommendation as many of the risks span across more than one objective.	No	Improvement recommendation stands
3	<b>Governance</b> The Authority should remove discharged risks from the Corporate Risk Register to help members focus on remaining risks.	Improvement	November 2021	The Authority disagreed with this recommendation. Their view is the inclusion of discharged risks shows these have been considered and does not impact on members focusing on live risks.	No	Improvement recommendation stands
4	<b>Governance</b> A gap was identified in members declarations of interest in 2020/21. The Authority should therefore examine the adequacy of procedures to ensure declarations are complete.	Improvement	November 2021	Recommendation agreed.  No identified issues in 2021/22.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the Authority's financial statements on 30 November 2022.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Authority's Audit Committee on 29 November 2022.

## Preparation of the accounts

The Authority produced draft accounts in mid- August 2022 in line with our agreed deadline and provided a good set of working papers to support them.

## 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 Authority

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

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

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

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

The Chief Financial Officer (or equivalent) 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 Fire Service will no longer be provided.

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



# Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Service’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Service. We have defined these recommendations as ‘key recommendations’.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Service, but are not a result of identifying significant weaknesses in the Service’s arrangements.	Yes	11,12



