Grant Thornton

Appendix 1

Auditor's Annual Report on Lancashire Fire and Rescue Service

2022/23

March 2024

Contents

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.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the 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 Service's arrangements under specified criteria and 2022/23 is the third 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 Service's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on arrangements	2021/22 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified during the initial risk assessment and planning process.	Significant weakness in arrangements identified in relation to the Authority's level and use of reserves to manage its financial position. One key and one improvement recommendation has been made.	No significant weaknesses in arrangements identified, but two improvement recommendations made	↓
Governance	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified but five improvement recommendations made.	No significant weaknesses in arrangements identified.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified but two improvement recommendations made.	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 (continued)

Financial sustainability

The Authority has an established and consultative approach to setting its annual budget, Medium-Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and a grasp of the financial challenges it faces. Like many other Authorities, however, it faced significant financial pressures moving into 2022/23 and overspent its revenue budget by £1.673 million (2.65% of the Net Revenue Budget) causing it to draw down on its General Fund Reserves.

The 2023/24 budget includes a challenging savings target of £1.9 million to be delivered. In addition, there is a funding gap of £0.3 million which the Authority has made provision to be drawn down from general reserves. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27.

At the time of writing this report, the year-end forecast for 2023/24 is an overspend of £0.176 million.

The Authority does have a good track record of delivering savings; however; it needs to consider a longer term solution to deliver greater efficiencies. Otherwise, the Authority is facing an increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves.

Due to the significance of the challenge and the current level of risk at the present time, we have identified a significant weakness in the Authority's arrangements relating to financial sustainability.

We have raised a key recommendation. See page 6 for more detail.

Governance

In general, we found that the Authority has appropriate in place to ensure it manages its risk, gains assurance over the effective operation of internal controls and arrangements to prevent and detect fraud, make properly informed decisions and monitor and ensure appropriate standards are in place.

We noted there were a number of policies and procedures that require to be updated and have recommended that the Authority update the Constitutional, Procedural and Contractual Standing Orders bringing them together as a complete document, supported by underpinning guidance and policies.

Our work has not identified any evidence which leads us to conclude that there are significant weaknesses present, however we have raised five improvement recommendations designed to further enhance the arrangements in place. See pages 19 – 23 for more detail.

Improving economy, efficiency and effectiveness

The Authority has embedded processes in place to monitor and report upon its corporate performance; documenting where corrective action is being taken and supported by clear reporting of trends and causes.

Our work has not identified evidence of significant weaknesses within the arrangements in place, however, we have raised two improvement recommendations designed to further enhance arrangements. See pages 27 – 28 for more detail.

Financial Statements opinion

We in the process of completing our audit of your financial statements. At the time of writing we intend to issue an unqualified audit opinion on completion of the work. Our findings are set out in further detail on page 6.

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 Service'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 in the process of completing our audit of your financial statements. At the time of writing we intend to issue an unqualified audit opinion on completion of the work.
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 judicial review.

Key recommendations

Key Recommendation 1	The Authority needs to ensure it maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled. The Authority should: • Develop a plan to address its general reserves position and its current use of reserves to balance its financial position. It needs to set out how its General Fund will be brought to a level that mitigates the risk to future financial sustainability. • Continue to take steps to contain expenditure and deliver sustainable savings.
Identified significant weakness in arrangements	We have identified a significant weakness in the Authority's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. In particular, it has made use of reserves to cover unplanned spending in 2022-23 and balancing its 2023-24 budget; and is (at the date of this report) forecasting a further overspend outturn position in 2023-24. The Authority's risk profile is heightened by its relatively low levels of revenue reserves available. We acknowledge the Authority has significant capital reserves but these are in relation to anticipated capital rather than revenue use.
Summary findings	The Authority set its revenue budget for 2022/23 at £63 million. The outturn position was an overspend of £1.673 million. The 22/23 year-end overspend has been drawn down from the general reserves balance; reducing the balance to £4.37 million at 31st March 2023. The Authority set its minimum level of reserves at £4 million in 2022/23. This has decreased to £3.75 million in 2023/24. The Gross Budget Requirement in 2023/24 is £68.5 million; this includes a savings target of £1.9 million to be delivered. There is an identified funding gap of £0.3 million, to be drawn down from general reserves. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27. There are currently no plans built into the MTFS to replenish general fund reserves. From review of the Authority's finance monitoring data reported in September 2023 the forecast is a year-end overspend of £0.176 million.
Criteria impacted by the significant weakness	Financial sustainability · Governance · Improving economy, efficiency and effectiveness
Auditor judgement	Based on the work undertaken, we are not satisfied that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.
Management comments	See next page

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

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations

Management comments	The Authority set its 2023/24 budget during a period of extreme financial uncertainty: at the time facing potential industrial action and an unsettled pay award dating back to the previous July. Having one of highest levels of usable earmarked reserves and general reserves across all fire authorities that Authority was in a strong financial position and the budget was set with the high expectation that the general reserve would be able to absorb the financial impact of the pay award which it ultimately was able to. Other funding options were available such as reducing the capital programme commitments that would not have reduced reserves, but this strategy ensured there was no impact on services or the capital ambitions of the Authority. It is accepted that in setting the 2023/24 budget a longer-term budget gap was forecast which would result in further reductions in the general reserve without additional funding or cost reductions. The Authority now has greater certainty on its capital programme costs and at the time of writing expects the Authority to set its 2024/25 budget that plans to address the long-term general reserve forecast position.

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

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Securing economy, efficiency and effectiveness in the Service's use of resources

All Fire and Rescue Services 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 Service's responsibilities are set out in Appendix A.

Fire and Rescue Services 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 Service 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 Service 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 Service makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Service makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

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

Our commentary on the Service's arrangements in each of these three areas, is set out on pages 8 to 25. 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.

Financial Performance 2022/23

The Authority is operating in an extremely challenging financial environment. The financial impacts of the pandemic, and the increasing costs of inflation are still ongoing and may take many years to unwind.

The Authority approved its revenue budget for 2022/23 (incorporating the MTFS 2022/23 to 2026/27) in February 2022. The annual budget for the year was set at £63.017 million. The revenue outturn position showed an overspend for the financial year of £1.673 million; this is an adverse variance of 2.65%.

There were some major variances noted which are all clearly set out within the budget outturn report and include:

- Fleet – due to increased fuel costs
- Property - due to the increase in the cost of energy and inflationary pressures on maintenance costs
- Staff – arising from the national pay award.

Reserves

Earmarked Reserves are all funds that have been identified for a specific purpose. The overall reserves level at the end of financial year 2022/23 has reduced from £9.7 million to £9.3 million.

The Authority also holds £22 million of Capital Reserves and Receipts: This includes £20.3 million Capital Funding Reserve, £27,000 Capital Grants Unapplied and £1.7 million Usable Capital Receipts. The Capital reserves and receipts are fully utilised within the MTFS, reducing to zero in 2027.

Over half of the earmarked reserve relates to the Authority's two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The General Fund Reserve is a non-specific reserve to meet short / medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

The Authority needs to hold an adequate level of general reserves. As a precepting Authority any surpluses or deficits are transferred into or out of reserves to meet future potential commitments. The Authority set its minimum level of reserves at £4 million in 2022/23. It is noted that this has decreased to £3.75 million in 2023/24.

The Authority's general fund balance at the start of the year was £6.04 million; the 2022/23 year-end overspend of £1.673 million has been transferred to the reserve reducing the balance to £4.37 million at 31st March 2023. It is not unusual to use general reserves as a short term means of smoothing out large fluctuations in spending requirements and/or funding available; however it does not provide for a longer term solution to ensure financial sustainability.

Financial sustainability (continued)

Short and medium term financial planning

We have identified a significant weakness in the Authority's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term. We have raised a key recommendation to develop a plan to address the general reserves position and to take steps to deliver sustainable savings with longer term solutions.

Key recommendation 1.

Financial Resilience

The MTFS is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. This demonstrates that financial risks are considered each year in both the short and long term. With only a one year settlement in place, the Authority's scenario planning processes ensure the key variables around future funding levels, pay awards and pension costs are built into its medium term planning.

The Revenue Budget for 2023/24 (incorporating the MTFS 2023/24 to 2027/28) was approved by the Combined Fire Authority in February 2023. It sets out the financial challenges faced by the Authority and includes key assumptions around income, expenditure and growth.

The Gross Budget Requirement in 2023/24 is £68.493 million; this includes a savings target of £1.9 million to be delivered. There is an identified funding gap of £0.3 million to enable the Authority to deliver a balanced budget in 2023/24. The Authority has made provision for this to be drawn down from general reserves if further in year savings cannot be identified. Further funding gaps amounting to £1.5 million have been identified between 2024/25 and 2026/27.

From review of the Authority's finance monitoring data we note that the current 2023/24 year-end forecast is an overspend of £0.176 million.

The Authority has a good track record of delivering savings; over-achieving on its targets in both 2021/22 and 2022/23 as demonstrated in the table opposite. However; without a longer term solution, to deliver greater efficiencies the Authority is facing increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves.

We did note that the Authority is currently holding large earmarked and capital reserves. Capital reserves have been built up over the years by revenue contributions and £1.7 million are Usable Capital Receipts.

While planned use of reserves to balance funding gaps or in year over-spending is not sustainable in the longer term, there is recognition by the Authority that one off use for example to offset the significant pay rise in 2022/23 could have been utilised.

We note that the Authority is identifying and developing savings schemes through its Emergency Cover Reviews (ECR) however these are longer term plans and will take time to realise. The Authority will need to ensure there is a sound financial governance framework in place and robust savings plans to meet the identified budget funding gaps to ensure reserves balances are maintained at a level to mitigate future risk.

Performance against key financial and metrics is set out in the table below:

£,000	2022/23	2021/22
Planned revenue expenditure	£63,017	£58,175
Actual revenue expenditure	£64,882	£57,844
Under / (overspend)	**(£1.865)**	**£331**
Planned savings target	£0.9	£0.179
Actual savings delivered	£1.2	£0.749
(Under) / overachieved	**£0.3**	**£0.57**

Financial sustainability (continued)

Financial planning and strategic priorities

The Fire Authority has clear corporate priorities which are supported by financial planning.

Corporate objectives are set out within the Authority's Community Risk Management Plan (CRMP), which is updated every five years. This is supported by the Strategic Assessment of Risk, which looks at fire risk across the county. These are underpinned by six core strategies, which collectively, help inform the Annual Service Plan, and local delivery plans:

- People
- Prevention
- Protection
- Response
- Financial
- Digital

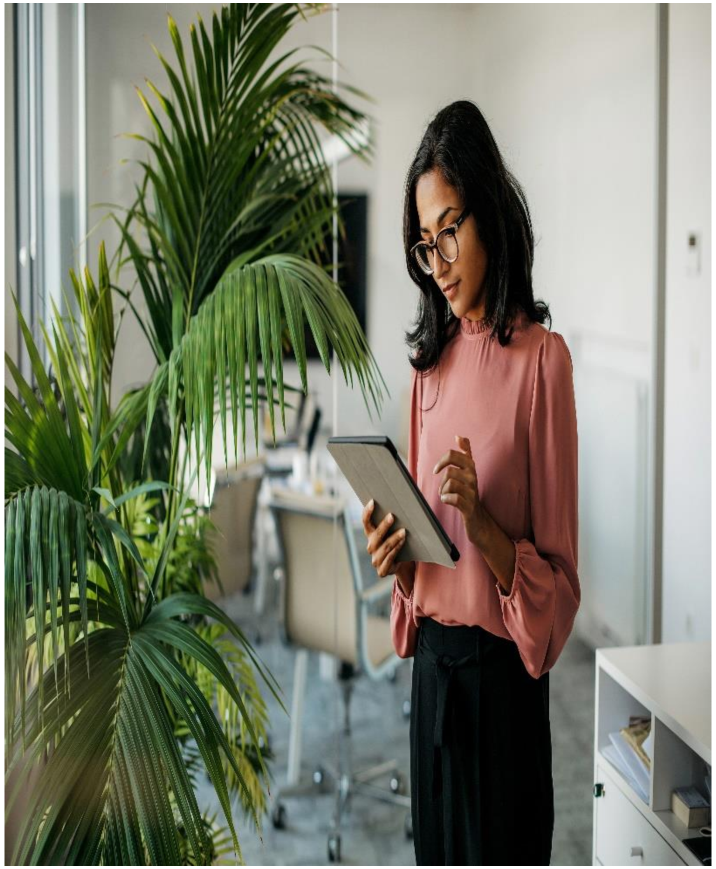
Each core Strategy is supported by the priorities and requirements as set out in the enabling plans which sit beneath for example the MTFS, Fleet Asset Management Plan and Capital Budget and Strategy.

Financial Planning

The implications of the annual funding settlement in each year are adequately addressed within the revenue budgets.

The Authority utilised the change to the Council Tax referendum principles for 2022/23 which allowed those Authority's in the bottom quartile to increase Council Tax by up to £5, whilst all others have a 2% referendum limit set. This increased the baseline of Band D properties to £77.27 and generated an additional income of £1.6 million of Council Tax to the Authority, but is still below the national average of £80.06 for Band D properties nationally.

The Council Tax referendum principles were available again in 2023/24 and enabled the Authority to increase its baseline for Band D properties to £82.27 generating £2.3 million of Council Tax funding compared with £1.1 million from a 3% referendum limit increase.



Financial Sustainability (continued)

Capital Programme

Given the scale and the size of the Capital Programme from 2024/25 onwards, the Authority faces a significant challenge in ensuring there is successful delivery. Improvement recommendation 1.

The Capital Programme is prepared annually through the budget setting process and approved by the Combined Fire Authority each February.

The Capital Budget and Strategy 2022/23 to 2026/27 identified a £47 million programme over the period of the MTFS. The 2022/23 Capital Programme includes slippage from 2021/22 of £6.2 million. Delivery in year was revised to £3.271 million.

The Authority have in place an embedded governance process for monitoring and reporting against progress of delivery, which includes:

- A quarterly Capital Projects Programme Board has oversight of the programme and is responsible for delivery with project managers providing update reports on the in year and future programme.
- This is reported to a corporate programme board with all Executive Board alongside other Boards.
- Monthly budget monitoring of the Capital Programme and quarterly reporting to Members through the Resources Committee.
- A project management structure for key projects.

Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. From discussion with key officers, the slippage was largely due to supply issues following Brexit, Covid and ICT equipment shortages, which could not have been foreseen at the time of the programme development.

The slippage has been rolled forward into 2023/24 increasing planned in year delivery to £11.752 million. Although we acknowledge some of the issues faced in the current climate it remains that there is a risk of non-delivery, increased costs and further slippage into future years.

The Capital Programme covering the MTFS 2023/24 to 2027/28 is £55.2 million.

The majority of the programme in 2023/24 is replacing Authority fleet vehicles; this includes those to meet the expectations around climate change and the priorities agreed as part of the Annual Delivery Plan.

There are a number of large scale building projects planned from 2024/25 onwards; these include the relocation of the Authority Headquarters, rebuilding of the Preston station and upscaling the Training Centre.

Anticipated capital funding of £41.5 million is available over the life of the programme, leaving a shortfall of £13.6 million. The Authority has already set aside £2 million of funding for the programme, leaving £11.6 million of borrowing in its final two years. The Authority does not currently have any plans for new borrowing until 2024/25, but holds £2.0 million of loans from funding previous years' Capital Programmes.

The cost of this borrowing is incorporated into the revenue budget in future years, and as such, the Treasurer has considered that the programme is prudent, sustainable and affordable in the medium term.

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 as part of the budget setting process. This includes the Treasury Management Statement, Annual Investment Strategy, Prudential Indicators and Minimum Reserves Provision (MRP) policy.

The Authority currently utilises Lancashire County Council to undertake its Treasury Management Activities.

Oversight of Treasury Management activities is provided via reporting through the Resources Committee; which we confirmed through review of Committee papers during the 2022/23 year.

The Year End Treasury Management Outturn 2022/23 was reported to Resources Committee in July 2023. The report sets out the Authority's borrowing and lending activities during 2022/23 and confirms that all treasury activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2022/23.

The borrowing of the Fire Authority has remained unchanged at £2m. Total interest paid was £90,000. Consideration has been given to repaying the £2m but repaying the loans early would incur a penalty cost and at the end of the financial year it was estimated that the penalty would be £0.220 million.

The report also documents that during the year the total cash held by the Authority has been positive with the highest balance being £46.8 million and the lowest £26.7 million. For the monies invested with Lancashire County Council the range was £41.8 million to £16.6 million.

At the year-end fixed investments of £15 million were in place with £16.3 million cash and cash equivalents.

Financial Governance

Annual budget setting and budgetary control

The Authority has appropriate processes in place to ensure that budget holders have a key role in setting and monitoring budgets. Finance monitoring reports provide sufficient information to provide an accurate an detailed overview of the financial position without such information being overly complex or simplistic

The budget is developed through stages with the refinement of assumptions and funding stream estimates, examining the budget gap and developing savings proposals. There is also evidence of scenario analysis and planning.

We did note a reliance on balancing the budget through the use of reserves, which we have reported upon on page 13 of this report.

Internal and External stakeholders are involved and consulted within the process and budget managers are required to sign up to and take accountability for delivering their budget.

Accurate and timely financial monitoring reports are provided for budget holders and the finance team provides regular support and guidance. Operational budget managers receive monthly monitoring reports and monthly meetings are held with the finance team to discuss issues, risks and adverse variances.

The Resource Committee receive detailed quarterly Financial Monitoring reports for discussion and challenge. In addition, the Performance Committee receive quarterly activity reports which are separate to the financial monitoring reports.

From our review of financial reporting we could evidence that a clear forecast for the year end out-turn is provided supported by a summary providing a detailed overview of the drivers for any cost pressures and explanations for large variances to budget and out-turn (for revenue and capital) and actions which are being taken to offset or mitigate these.

Quarterly activity reports are separate to the financial monitoring reports. From discussion with key officers we note that reporting is an area the Authority are currently looking into, with a view to utilising the capabilities of Power BI to integrate both financial and non financial reporting.

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Improvement recommendations

Improvement recommendation 1	The Authority needs to ensure it continues to try to mitigate the risk of Capital Programme affordability due to increasing costs and additional pressures of programme slippage.
Improvement opportunity identified	Slippage within the Capital Programme may result in an unrealistic or unaffordable delivery programme in later years.
Summary findings	Planned delivery of the programme was revised in year to £3.271 million. Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. We acknowledge the Authority is looking to manage this through regular project meetings and a capital programme board, all which feed in to the Senior Management Team Corporate Programme Board quarterly meetings for high level oversight. And that slippage is due to a number of pressures impacting on the supply chain. However, if slippage continues to any significant extent it does pose the risk outlined above.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Noted, to manage this risk there are strong governance arrangements in place. As the auditor sets out there are regular project meetings, oversight by the capital projects programme board that feeds into the SMT Corporate Programme Board. Also quarterly reporting to the Resources Committee on progress with the capital programme and emerging issues and the Member Capital Projects Working Group provide further governance to ensure this risk is managed.

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.

Governance and Informed Decision Making

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions but have raised two improvement recommendations to strengthen the processes in place.

Lancashire Fire and Rescue Service is governed and led by the Lancashire Combined Fire Authority (CFA); which is an independent body comprising of 25 elected Members apportioned between three Constituent Councils:

- 19 Lancashire County Council Councillors,
- three Blackpool Council Councillors and
- three Blackburn with Darwen Council Councillors.

The CFA decision making processes are supported through delegated responsibility to the Appeals, Audit, Performance, Planning and Resources Committees.

The Authority has in place Constitutional, Procedural and Contractual Standing Orders which outline the make-up of the Authority including the Committee Structure and rules governing the conduct of its meetings. From review we confirmed this is published on the Authority's public facing website but noted that supporting and underpinning key guidance such as the Scheme of Delegation, Members' Code of Conduct and Contract Standing Orders etc are maintained as separate documents and are not currently included within the Constitution as a complete document. A number of the documents held on the website also appeared to be out of date; for example, we were notified that the Scheme of Delegation had been reviewed in 2021 but the version available on the website is dated 2018.

We have recommended that the Constitutional, Procedural and Contractual Standing Orders are brought together as a complete document to provide a clear and coherent framework governing how the Authority operates and makes decisions.

In addition Committee Terms of Reference (TOR) are held as appendices to the Constitution but are not published on the website. From our review of TOR we noted that while all state the requirement that "political balance rules and regulations apply", the conditions of quoracy to ensure having enough members to carry out business and cast votes is not stated.

Improvement recommendation 2.

All committee papers are supported by standard reporting templates which provide an overview of the action or decision to be made and provide assurance of the considerations that have been taken in its reporting for example business risk, financial, equality and diversity, environmental and HR implications etc. however, the template does not include legal implications. To provide assurance that appropriate legal advice has been considered where appropriate and that decision making is lawful we have recommended this be added to the standard reporting template as a consideration criteria point to aid decision making.

Improvement recommendation 3.

Governance (continued)

Risk Management and Corporate Planning

The Fire Authority has appropriate arrangements in place to identify and manage risks. Our work has not identified any significant weaknesses; but improvement recommendations have been made to further enhance and strengthen the processes in place.

The National Framework issued by central government details the requirement for Fire Authorities to draft, consult upon and publish its strategic intent in the format of an Integrated Risk Management Plan (IRMP) which must span at least 3 years. In February 2022, the Authority approved its Community Risk Management Plan (CRMP) 2022-2027; which was published in April 2022.

We confirmed by review, that the CRMP is aligned to new National Fire Chiefs Council (NFCC) best practice guidance and outlines the approach to the identification and mitigation of risk within the County. The plan is underpinned by six core strategies:

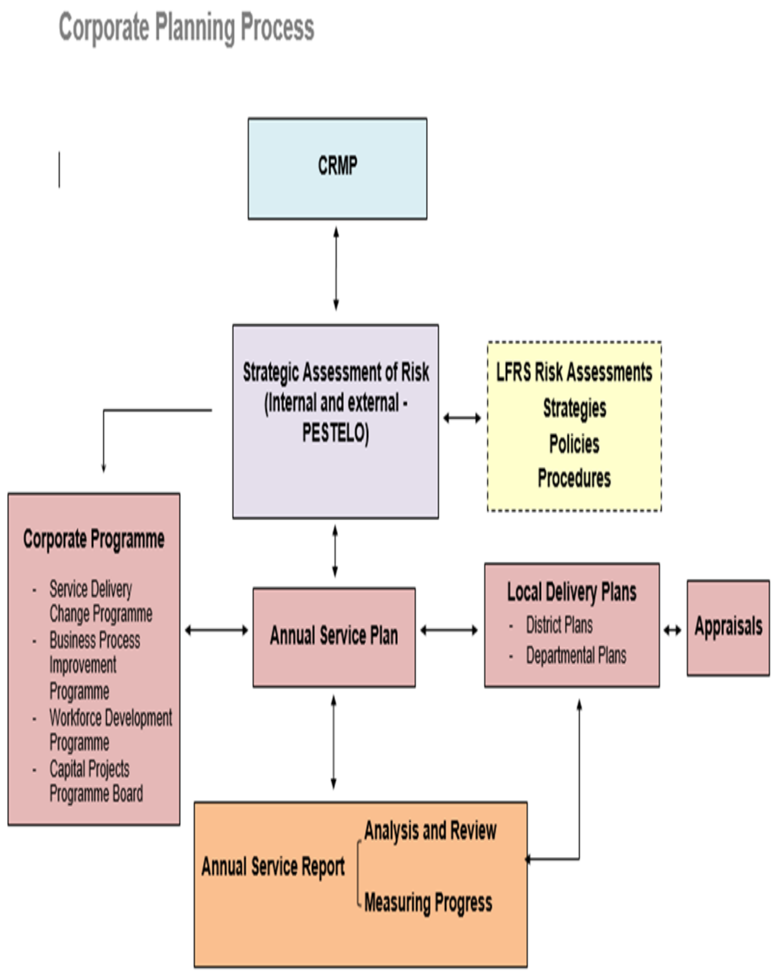
- Prevention Strategy
- Protection Strategy
- Response Strategy
- People Strategy
- Finance Strategy
- Data and Digital Strategy

The plan is driven and underpinned by an annual Strategic Assessment of Risk (SAoR). The assessment of risk is carried out on an annual basis by analysing external and internal operating environments as part of the corporate planning process. The SAoR highlights the risks faced and describes how the Authority intends to deal with them.

The data within this SAoR is used in the Corporate Planning process and identified risks link to core strategies, the CRMP, Corporate Programme, Annual Service Plan and local delivery plans as demonstrated opposite.

In 2022/23 the top five risk incident types have been identified as follows:

Risk Number	Incident Type	Overall Rating	Rank	Trend	Rank 2021
1	Commercial property fires *1	14.10	Very High	↑	4
2	Accidental dwelling fires	13.49	Very High	↑	3
3	Flooding	12.00	Very High	↓	1
4	Wildfire	11.60	Very High	↓	2
5	Rescue from collapsed structure/confined space/other	11.46	Very High	↑	8



Governance (continued

Risk Management and Internal Control

High level responsibilities for managing risk are documented within the Authority's Risk Management Policy. The policy is underpinned by a Risk Management Procedure document which provides detailed guidance around the operational arrangements and processes in place for managing, monitoring and reporting risk.

Our review of the procedures did not identify any gaps in arrangements; we found that it includes the key elements for a robust framework to managing risk at all levels across the Authority.

Scoring methodology uses a 5x5 matrix to prioritise risks. Risk impact criteria is clearly documented and includes domains such as financial, service provision and reputation etc. We note that environmental impact is not currently included as an impact measurement criteria. Although, it is included as a standard agenda consideration as part of Committee papers reporting. Given the importance of the environmental agenda and the national agenda to reach Carbon Net Zero, we have recommended that the Authority considers including Environmental Impact within the risk impact measurement criteria when scoring risks.

Improvement recommendation 4.

Risks are recorded within the Authority's Corporate Risk Register and update reports are presented at each meeting of the Audit Committee to provide members with oversight of management, mitigation and any new risks or changes to current risks.

From our review of reporting during 2022/23 we noted some areas where improvements could be made. We have concluded that the design and presentation of the Corporate Risk Register could provide more clarity for example, around risk scoring.

The Register shows the "Residual Score" following implementation of all controls, but doesn't show the inherent or target score. It was therefore not clear how a judgement could be made that risks are being controlled and mitigated or if the proposed actions appeared proportionate to the level of risk.

The register includes recommended actions but does not record gaps in assurances and control, it is therefore not possible to identify how the actions being taken are mitigating the risk. We also noted that the actions recorded do not follow SMART methodology, which means it is not clear how these would be monitored.

From discussion with key Authority Officers we noted that a number of changes and improvements are currently in progress. This includes a complete re-fresh of the Risk Registers, incorporating departmental risk registers with processes in place for escalating and de-escalating to and from the Corporate Risk Register where appropriate.

From review of the updated draft Register it is evident that while it is still in the process of being completed; it includes the elements required to provide the Authority a robust overview of its management of risk. We therefore have not made any improvement recommendations in this area but the Authority needs to ensure that the new Register is adopted in its reporting of risk as soon as possible.

The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives is described as its appetite for risk. The risk appetite scale usually ranges from "Open" which supports justifiable risks to be taken to "Averse" where there is an extremely low tolerance to risk.

For all Corporate, Department, Programme and Project risks the Authority has set its risk appetite at "Tolerable"; which suggests a "Cautious" approach and any risk which is above this threshold (i.e. Moderate, Substantial or Intolerable) would need further consideration and a decision taken as to how the risk should be treated. From review of the Procedure document, it is not clear how the appetite domains are aligned to the scoring methodology i.e. it does not currently link to the score in which a risk is deemed tolerable or when a risk is scored as Moderate, Substantial or Intolerable etc.

We have recommended that the Authority reviews the methodology and terminology used throughout the Procedure to ensure there is alignment in its scoring criteria and there is clarity in terms of its risk appetite domains.

Improvement recommendation 4.

Governance (continued

Internal Audit and Counter Fraud

The Authority has adequate arrangements in place to provide Internal Audit and Local Counter Fraud Services. Regular reporting is provided to the Audit Committee with evidence of appropriate oversight and challenge.

The Authority's Internal Audit and Counter Fraud Service is provided by Lancashire County Council.

The Internal Audit Plan for 2022/23 was approved by Audit Committee in March 2022 and confirms its compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit Committee meeting, setting out the work completed to date and any significant findings.

From our review of the reports presented during 2022/23 we noted completion in accordance with the plan and no significant issues raised.

This is confirmed within the year end Head of Internal Audit Opinion which has provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

The Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of Internal Audit in February 2023. The assessment included a full validation of the Internal Audit Service's own self-assessment against the PSIAS and the International Professional Practices Framework (IPPF). This has resulted in an overall opinion that the Internal Audit team "generally conforms" to the IIA Standards. This is the highest of the three global grading definitions used in an EQA.

The National Fraud Initiative (NFI) is a statutory data matching process for health, local government and other public sector providers managed by the Cabinet Office. It flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.

Following the submission of data in October 2020, the resulting matches were released by the Cabinet Office in January 2021. From the exercise carried out, no incidences of fraud were identified from the matches processed.

The Head of Internal Audit Opinion and Annual Report documents that there were no specific incidences of fraud or irregularity that have been brought to their attention during 2022/23.

Standards of Behaviour

The Authority has a number of policies and procedures in place to manage and mitigate the risk of fraud, and to outline the standards of behaviours expected from both its members and staff. These include, but are not limited to:

- Anti-Fraud Policy,
- Whistleblowing Policy,
- Codes of Conduct,
- Members and Officers Protocol,
- Declaring Interests, Gifts and Hospitality.

However, from review of the information on the Authority's website, we could not evidence that some of these have been reviewed or updated recently i.e. Anti-Fraud and Whistleblowing Policies. We have recommended that the Authority reviews these policies on a bi-ennial basis to ensure they remain current and reflect the current environment and landscape.

Improvement recommendation 5.

During the course of our fieldwork we noted an instance of a member of staff using a personal email address for Authority business. While we acknowledge that this has been raised with the officer with a view to ensuring the Authority email account will be used going forward, we have included an improvement recommendation to remind all staff of the risks surrounding data security and the requirements to ensure personal email addresses or devices are not be used to conduct Authority Business.

Improvement recommendation 6.

Whistleblowing

With whistleblowing regulation on the rise, it is more important than ever that, not only does an organisation have a Whistleblowing Policy in place, but also understands how the effectiveness of the policy is being assured and how the organisation are sighted on issues raised. Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups.
- Staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service.
- The organisation are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

The National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable.

Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

Improvement recommendations

Improvement recommendation 2	The Authority should update the Constitutional, Procedural and Contractual Standing Orders bringing together a complete document, supported by up to date and current underpinning guidance and policies, including (but not limited to): • Committee Terms of Reference (TOR) which should also include the conditions of quoracy to ensure having enough members to carry out business and cast votes is not stated. • Scheme of Delegation. • Members' Code of Conduct and • Contract Standing Orders .
Improvement opportunity identified	To provide a clear and coherent framework governing how the Authority operates and makes decisions.
Summary findings	The Authority has in place Constitutional, Procedural and Contractual Standing Orders. Our findings and recommendation have been made to provide further clarity.
Criteria impacted by the finding	Financial Sustainability · Governance · Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Noted, the Authority is always seeking to make its information as usable and accessible as possible and this would support other accessibility improvements we are making to our website.

Improvement recommendations

Improvement recommendation 3	The Authority should include legal implications as a category for consideration as part of its Committee paper standard reporting
Improvement opportunity identified	To provide assurance that appropriate legal advice and implications has been considered where appropriate and that decision making is lawful we have recommended this be added to the standard reporting template as a consideration criteria point to aid decision making.
Summary findings	Reporting templates currently include consideration of business risk, financial, equality and diversity, environmental and HR implications but do not include legal implications.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Noted, the legal implications of member decisions are always considered and highlighted in reports as part of the main body of the report or other relevant categories where appropriate. To improve reporting however the legal implications will be identified as a separate category alongside Business Risk, Environmental, Equality and Diversity, HR and Financial implications.

Improvement recommendations

Improvement recommendation 4	To further enhance and strengthen the risk management arrangements in place, the Authority should ensure that: • When risks are scored, there is a consideration of whether there may be an environmental impact should the risk materialise. Environmental impact should therefore be included as a domain within the scoring methodology. • Procedure methodology and terminology used throughout the Procedure aligns with its scoring criteria and there is clarity in terms of its risk appetite domains.
Improvement opportunity identified	To further enhance and strengthen processes
Summary findings	The Authority is developing good arrangements in place for managing risk. Our findings and recommendation have been made to further enhance and strengthen the processes.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	In principle we support the inclusion of environmental impact, to ensure there is no duplication across the organisation we will explore how best to address this issue during the next reporting period.

Improvement recommendations

Improvement recommendation 5	The Authority should ensure that its key governance policies are reviewed and updated on at least a bi-ennail basis.
Improvement opportunity identified	To ensure that the Authority is reflecting the latest local and national requirements in its day to day business.
Summary findings	We could not evidence from the Authority's website that some of its key policies had been reviewed or updated recently for example Anti-Fraud and Whistleblowing Policies.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	We will ensure key governance policies are reviewed and updated on a regular basis.

Improvement recommendations

Improvement recommendation 6	The Authority should ensure that all staff are reminded of the requirements to not use personal email addresses or devices to conduct Authority Business.
Improvement opportunity identified	To ensure that the Authority is adequately managing the risk of data security.
Summary findings	We could not evidence from the Authority's website that some of its key policies had been reviewed or updated recently for example Anti-Fraud and Whistleblowing Policies.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	During the course of our fieldwork we noted an instance of a member of staff using a personal email address for Authority business.
Management comments	Noted.

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.

Use of financial and performance information

The Authority has embedded processes in place to monitor and report upon its corporate performance; documenting where corrective action is being taken and supported by clear reporting of trends and causes.

The Authority monitors performance through quarterly performance reports which are scrutinised by the Performance Committee and presented to the Combined Fire Authority meetings for discussion.

Performance reports provide progress against the Key Performance Indicators (KPI's) which are aligned to each of the priorities detailed in the Community Risk Management Plan and Annual Service Plan:

- Valuing our people so they can focus on making Lancashire safer.
- Preventing fires and other emergencies from happening.
- Protecting people and properties when fires happen.
- Responding to fires and other emergencies quickly and competently.
- Delivering value for money in how we use our resources.

An annual overview of performance against these priorities is provided within the Authority's Annual Service Report.

From our review of reporting during 2022/23 we noted that the reports provide a good level of detail to enable an appropriate level of challenge, discussion and assurance to be gained. KPI's are presented showing the direction of travel and are RAG rated to demonstrate those which are showing a positive or negative exception.

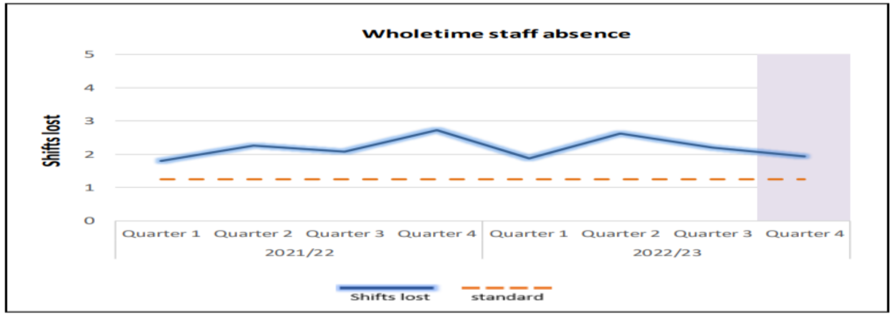
There were three indicators which were reporting a negative exception throughout the reporting period examined:

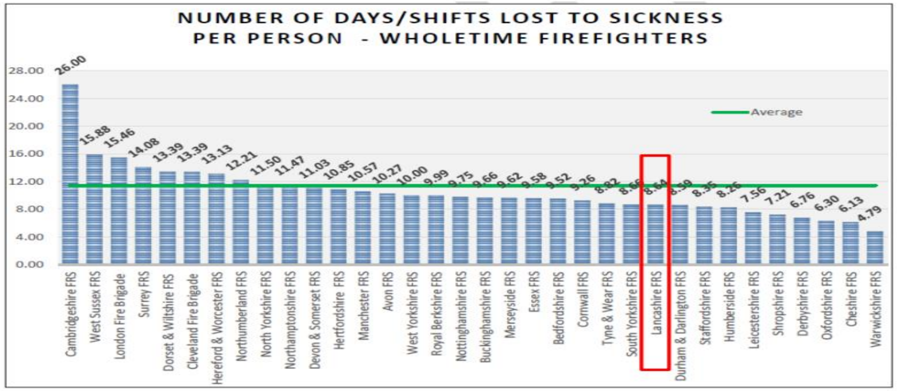
- Staff Absence Wholetime
- Staff Absence Greenbook
- Fire Engine Availability On-Call Shift Systems

Our review of Performance Committee reporting evidenced clear and robust documentation of the cause and reasons for the negative exceptions, including action being taken and any further planned action.

Reporting also evidences where national benchmarking is carried out. For example, the tables below demonstrate that, while the actual number of shifts lost due to sickness is currently above the annual standard, nationally the Authority benchmarks below average (source Q4 Performance Report):

Annual Standard: Not more than 5 shifts lost.
(Represented on the chart as annual shifts lost ÷ 4 quarters = 1.25)





Improving economy, efficiency and effectiveness (continued)

Partnership working

The Fire Authority has arrangements in place for working with its partners.

The Police Force, Fire & Rescue Service and Emergency Ambulance Service are under a formal duty to collaborate under the Policing and Crime Act 2017. The objectives are to improve efficiency, effectiveness and deliver improved outcomes.

To meet the requirements of this duty, the respective blue light services, Lancashire Fire and Rescue (LFRS), Lancashire Constabulary (LanCon), and North West Ambulance Service (NWAS), meet regularly at both tactical and strategic levels. Through these meetings the collaboration board have agreed and signed a strategic statement of intent. This contains the following aims:

- Improved Outcomes – The collaboration maintains or improves the service we provide to local people and local communities.
- Reduced demand – The collaboration should contribute towards our longer-term strategic objective of decreasing risk in communities and reducing demand on services.
- Better Value for Money – The collaboration produces quantifiable efficiencies either on implementation or in the longer term.
- Reduced inequalities within our communities – The collaboration contributes towards reducing inequalities wherever possible.

A written update on partnership collaboration is provided on a quarterly basis as part of the performance report; which we confirmed by review of the reports presented to Performance Committee during 2022/23.

Commissioning and procurement

The Fire Authority has appropriate arrangements in place for procuring goods and services and monitoring its contracts.

The Authority has in place a Procurement Strategy which is designed to identify procurement priorities aligned with local, regional and national procurement policy.

The current Strategy covers the period 2018-2021 and was approved in May 2018. The Authority would normally produce a new Procurement Strategy for 2022-2025, however the Government published a green paper 'Transforming Public Sector Procurement' in the last financial year which the Authority are awaiting the outcome to inform the updated Strategy.

The existing Strategy was approved for roll forward to 2022/23.

From discussion with key Authority officers it was noted that there are plans in place to ensure the Strategy is refreshed in line with the national guidance but also in alignment with the requirements of other Authority enabling strategies for example the MTFS, Asset Management Plan and Capital Programme etc. We have included an improvement recommendation to ensure this is clearly articulated within the updated Strategy.

Improvement recommendation 7.

The Authority has Contract Standing Orders in place governing the processes and procedures for purchasing goods and services. These were revised and updated in 2021, however a search of the Authority's website provided a version dated 2019.

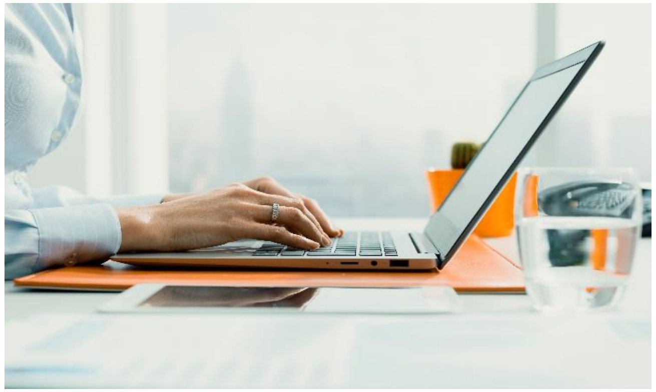
Improvement recommendation 2 includes this finding.

The Authority's processes require that there must be procurement team involvement for all procurement in excess of £25, 000 and all high value procurement activity - in excess of £100, 000 is approved by the CFA which we confirmed by review of reporting documentation.

Following procurement, contract management responsibility is held by the originating department. A spreadsheet is maintained of all contracts which ensures there is timely re-tendering processes in place and the use of contract tender waivers is managed. Details of Authority contracts are also published in line with transparency requirements on the Authority's website.

The Authority is a member of the North West Procurement Officers group which looks at technical requirements and seeks opportunities for regional collaborations to gain local economies and efficiencies .

Where regional contracts are in place, local quarterly meetings are held to monitor performance by the lead procurement authority with access for any local level issues to be escalated where required.



Improving economy, efficiency and effectiveness

Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Carbon Management

The Authority has in place a Carbon Management Plan which demonstrates its commitment to embedding reductions in environmental impact into its core business. The initial work undertaken by the Carbon Management Team has provided the carbon footprint of the Service and initial baseline emissions data.

However, the plan was produced and approved in 2009 and although it states that a target has been set at 40% carbon emission reduction by 2030, it does not provide an overview or fully costed action plan to demonstrate how this will be achieved. From review of the Authority's MTFS 2022/23 to 2026/27 we also did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.

We do acknowledge that the Authority is currently drafting its new Environmental Sustainability Plan which will set out the Authority's environmental aspirations to move forward to a net zero carbon emissions position. We have included an improvement recommendation to ensure the Authority's Environmental Sustainability Plan is supported by a fully costed action plan which aligns to its financial requirements within the MTFS.

Improvement recommendation 8.

Operational Response Plan

The increasing impacts and consequences of climate change in terms of both prevalence and duration of large-scale flooding and wildfire events in the county is identified in the Authority's Strategic Assessment of Risk.

The CRMP includes high-level ambitions in response to these emerging risks and a Climate Change Operational Response Plan (CCORP) 2022-27 has been published. This aims to provide a more detailed overview of how the Authority intends to strengthen the provision of its services.

In delivering against the plan, the Authority aims to:

- Reduce the threat to the communities in Lancashire.
- Improve firefighter safety.
- Reduce the costs and impact upon LFRS, partners and communities.

Fleet Asset Management Plan (FAMP) 2023-2027.

The FAMP sets out how the Service is managing its fleet to reduce its own carbon footprint and respond to the environmental changes that affect operational demands.

The plan recognises that vehicle related emissions are a significant contributor to carbon emissions within the Service, and as part of ongoing commitments, reducing emissions from vehicles and improving the environmental performance of fleet vehicles remains a key aspect of revised aspirations. This includes implementing electric vehicles, switching from diesel-powered light vehicles to hybrid technology to eliminate nitrogen oxide (NOX) emissions.

The Service has invested in specialist all-terrain vehicles, fully equipped to address wildfire and flooding in the county. These vehicles have been developed to meet the climate change conditions experienced locally, reported to be the first in the UK to do so.

Improvement recommendations

Improvement recommendation 7	The Authority should ensure that the refresh of the Procurement Strategy aligns the requirements of other Authority enabling strategies for example the MTFS, Asset Management Plan and Capital Programme in additional to national guidance.
Improvement opportunity identified	To ensure that the Procurement Strategy provides a framework which aligns to and supports the requirements of the Authority's Corporate Plan enabling strategies.
Summary findings	From review of the Authority's MTFS 2022/23 to 2026/27 we did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	The current Procurement Strategy covers the period 2018-2021. The Authority are awaiting the outcome to inform the updated Strategy. The existing Strategy was approved for roll forward to 2022/23.
Management comments	Noted

Improvement recommendations

Improvement recommendation 8	The Authority should ensure that the Environmental Sustainability Plan is supported by a fully costed action plan which aligns to its financial requirements within the MTFS.
Improvement opportunity identified	To ensure that the Authority has realised and planned its financial commitment to reaching its carbon reduction targets.
Summary findings	From review of the Authority's MTFS 2022/23 to 2026/27 we did not see evidence of alignment of the budget and financial plan to the costing requirements of reaching its carbon reduction target.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Noted

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	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.	Improvement	November 2021 & 2022	The Authority has a good track record of delivering savings; over achieving on its targets in both 2021/22 and 2022/23. However; without a longer term solution, the Authority is facing increasing risk of not being able to deliver a balanced budget with more reliance on drawing down on reserves which are currently reducing year on year.	Partly	Yes we have re-raised a recommendation to ensure the Authority maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled. See key recommendation 1
2	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.	Improvement	November 2022	Delivery in year was revised to £3.271 million. Outturn for 2022/23 showed delivery of £1.629 million and slippage of £1.636 million. From discussion with key officers, the slippage was largely due to supply issues following Brexit, Covid and ICT equipment shortages. The slippage has been rolled forward into 2023/24 increasing planned in year delivery to £11.752 million. The Capital Programme covering the MTFS 2023/24 to 2027/28 is £55.2 million.	No	Yes we have re-raised a recommendation to ensure the Authority maintains a robust financial governance framework in place to manage, monitor and ensure delivery of the Capital Programme. See improvement recommendation 1

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	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	A number of changes and improvements to the risk management arrangements are currently in progress. This includes a complete re-fresh of the Risk Registers, incorporating departmental risk registers with processes in place for escalating and de-escalating to and from the Corporate Risk Register where appropriate. From review of the updated draft Register it is evident that while it is still in the process of being completed; it includes the elements required to provide the Authority a robust overview of its management of risk.	In progress	No further recommendations made, the new arrangements and registers will be reviewed as part of the 2023/24 review.
4	The Authority should remove discharged risks from the Corporate Risk Register to help members focus on remaining risks.	Improvement	November 2021	See above	In progress	No further recommendations made, the new arrangements and registers will be reviewed as part of the 2023/24 review.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Service as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Service in accordance with applicable ethical requirements, including the Financial Reporting Service's Ethical Standard.

Audit opinion on the financial statements

This work remains underway at the time of writing. We intend to issue an unqualified opinion on the Service's financial statements once the work is complete.

The full opinion will be included in the Service's Annual Report for 2022/23, which can be obtained from the Service's website.

Further information on our audit of the financial statements is set out overleaf.

Opinion on the financial statements

Timescale for the audit of the financial statements

- Our Audit Plan was issued in June 2023 and presented to the Audit Committee
- We completed our planning and interim work from March to June and our final visit between July and December
- The Service provided draft financial statements on 31 July 2023, later than the national timetable of 31 May 2023.
- The work remains underway at the time of writing. We intend to issue an unqualified opinion on the Service's financial statements once the work is complete.

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report presented to the Service's Audit Committee on 28 November 2023. Requests for this Audit Findings Report should be directed to the Service.

Appendices

Appendix A – Responsibilities of the Service

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

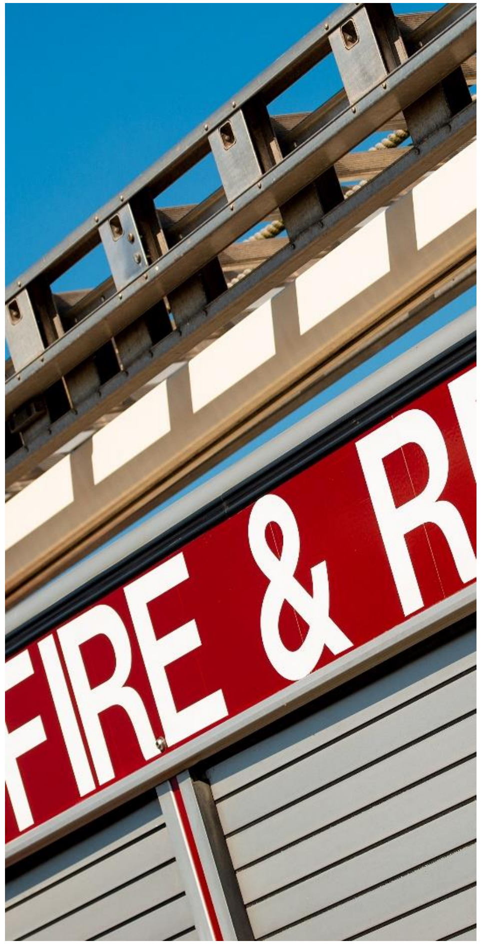
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Service'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 Service will no longer be provided.

The Service 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'.	Yes	6
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	Financial Sustainability: page 13 Governance: pages 18 – 22 3Es: pages 26 - 27

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