

Auditor's Annual Report on Cheshire Fire Authority

2022/23

24 January 2024



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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.



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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 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	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendations made	↔

- 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

We did not identify any risks of significant weaknesses in the Authority's financial sustainability arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made an improvement recommendation due to budget gaps remaining in the medium-term financial plan (MTFP) from 2024/25 onwards as well as the funding uncertainty around the capital programme. Our findings are set out in further detail on pages 7 to 11.



Governance

We did not identify any risks of significant weaknesses in the Authority's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made an improvement recommendation in respect of reviewing the effectiveness of the Audit Committee. Our findings are set out in further detail on pages 12 to 15.



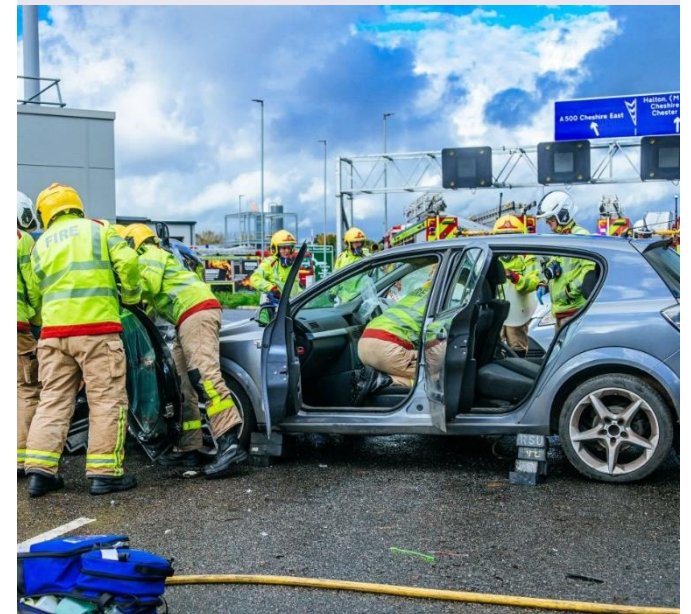
Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made one improvement recommendations in respect of performance monitoring in joint corporate services. Our findings are set out in further detail on pages 16 to 19.



Financial Statements opinion

We issued an unqualified opinion following the Audit Committee meeting on 24 January 2024. Our findings are set out in further detail on pages 21 to 22.



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 issued an unqualified opinion following the Audit Committee meeting on 24 January 2024

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 have not issued any statutory recommendations, nor do we anticipate doing so.

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 have not issued a public interest report, nor do we anticipate doing so.

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 have not applied to the court, nor do we anticipate doing so.

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 have not issued any advisory notices nor do we anticipate doing so.

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 have not applied for a judicial review, nor do we anticipate doing so.

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 7 to 19. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Authority:

- identifies all the significant financial pressures 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.

Short and medium term financial planning

Cheshire Fire Authority has a strong history of delivering a balanced budget without any unplanned use of reserves and in 2022/23 they reported a small revenue overspend of £0.3m (mainly driven by unforeseen pay awards) with a capital underspend of £1m. The Authority approaches financial planning through Priority Based Budgeting (PBB) and this is a key driver supporting financial sustainability. PBB is a very detailed and in-depth review of the whole organisation, encompassing workforce, finance and delivery and is implemented as part of the business planning process. Budget managers present to panels setting out what demands or changes are affecting their areas and as a result what they need in terms of resources, funding etc. as well as demonstrating what Cheshire Fire will get from those resources. PBB provides a comprehensive review of the entire Authority's budget, identifying and ranking the services provided on the basis of the Authority's priorities. This diagnostic process enables the Authority to link funding decisions to priorities in the Integrated Risk Management Plan (IRMP).

The Medium Term Financial Plan (MTFP) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. Council Tax assumptions are a key element of planning and the Authority works closely with their Billing Authorities to understand assumptions around the Council Tax base and also the likely surplus or deficit on the Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Cheshire will operate in. Although there was a spending review setting out the direction of travel through to 2025, fire and rescue services were not explicitly mentioned and therefore there is still no long-term certainty. This uncertainty, combined with recent rises in inflation and pay awards, means that the future financial position is very challenging.

The current capital programme reflects the priorities of the Authority and includes a programme of modernisation and, where necessary, replacement of fire stations. The funding for some of this programme is still to be identified and therefore we have included an improvement recommendation in respect of this linked to the Authority's medium-term financial plans. At the end of 2022/23 there was an underspend of £0.98m on capital. The proposed capital programme expenditure for 2023/24 is £9.5m and mostly relates to fire station modernisation and Crewe Fire Station. This will be funded by a combination of reserves and borrowing. The Authority sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.

In addition to the Capital Strategy, the workforce plan is managed closely to ensure financial and HR data is matched. Workforce planning provides all the profiles of recruitment, leavers, retirees etc. and the funding requirements are matched to this profile. Finance also proactively liaise with HR where there are vacancies to ensure any short-term or longer-term savings and opportunities are identified.

Financial sustainability (continued)

Key Financial assumptions

The main financial assumptions in the MTFP relate to funding, inflation and pay awards.

The Local Government Financial Settlement for 2022/23 allowed the Fire Authority to confirm funding as £46.6m for 2022/23, an increase of £0.4m on the previous year. The Council Tax increase referendum limit was 1.99% for 2022/23. With a Council Tax increase of 1.99%, the Authority was left with a funding gap of £0.8m, which it planned to close through the delivery of savings. The unforeseen high pay awards in 2022/23 were one of the main contributing factors to the £0.3m overspend in 2022/23.

In the medium term, the Authority's MTFP for 2023-28 included the following key assumptions:

- no increase in baseline government funding throughout the period with a small increase in revenue support grant;
- a precept increase of 2.99% over the period as indicated by the Spending Review;
- Price inflation: specific increases applied for known high inflation areas such as energy with some other budgets subject to a 2% increase;
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on actual spend. Interest payable is based on the forecast interest rates set by the Treasury Management Advisors and
- Pay (discussed in more detail on page 9) - 5% increase for 2023/24 and 2% thereafter



Financial sustainability (continued)

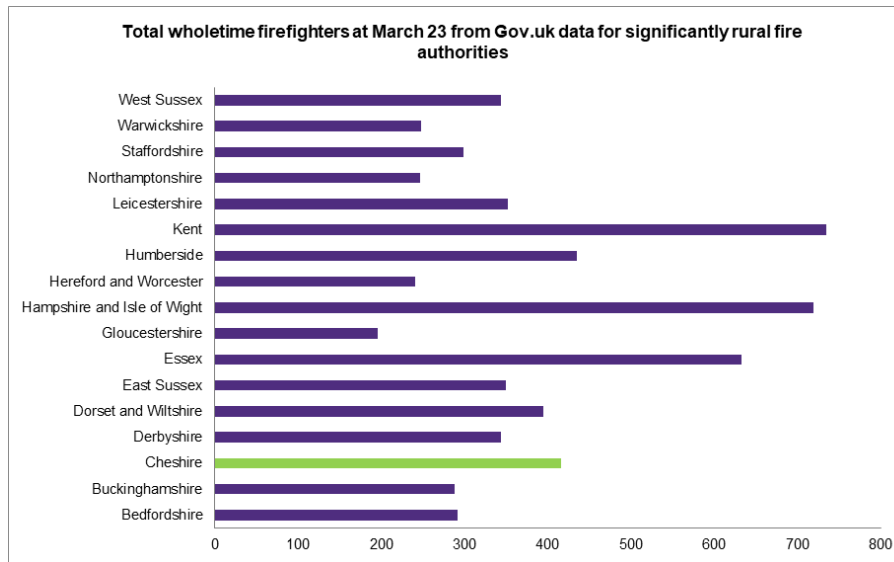
Pay

Pay is the largest part of Cheshire Fire's expenditure, representing 54% of the Authority's expenditure. The chart opposite, taken from data on gov.uk, benchmarks Cheshire (highlighted in green) against other significantly rural authorities at March 2023, and shows they are not an outlier when looking at staffing levels, therefore supporting the conclusion that workforce assumptions are appropriate.

The MTFP for 2022-27 forecasted pay inflation of 3% in 2022/23 with 2% thereafter. This appeared reasonable in February 2022 when the MTFP was approved. However, during 2022/23 there were significantly higher pay awards of 7% for grey book staff and 7.6% for green book payroll. This contributed in part to the overspend in the year. For the 2023-2028 MTFP the pay award assumption has been updated in line with current forecasts to include a 5% increase for 2023/24 and 2% thereafter, this appears reasonable.

The MTFP is refreshed each year and presented alongside the annual budget for the forthcoming year demonstrating that financial risks are considered each year in both the short and medium term. Given the challenging macro-economic environment and uncertainty around key costs such as pay, in 2021/22 we included a recommendation around a formal mid-year review of the MTFP. There is a strong focus on finance and the MTFP is reviewed at every monthly SLT meeting and presented at Budget Management Board (BMB) meetings.

Solid financial planning through the PBB process means that any budget gaps have been met. There was some use of reserves in 2022/23 to cover the £0.3m overspend but reserves are still reasonable as noted on the following page. Savings are also monitored regularly and procurement produce a savings register and tracker. This process also mitigates the risk of unexpected new requirements impacting on the Authority's financial resilience. Cashflow is also closely monitored and reviewed on a daily basis. Liquidity is not a major risk for the Authority as it holds a reasonable amount of cash and cash equivalents (£7.1m at 31 March 2023 - £6.3m at 31 March 2022).



Financial sustainability (continued)

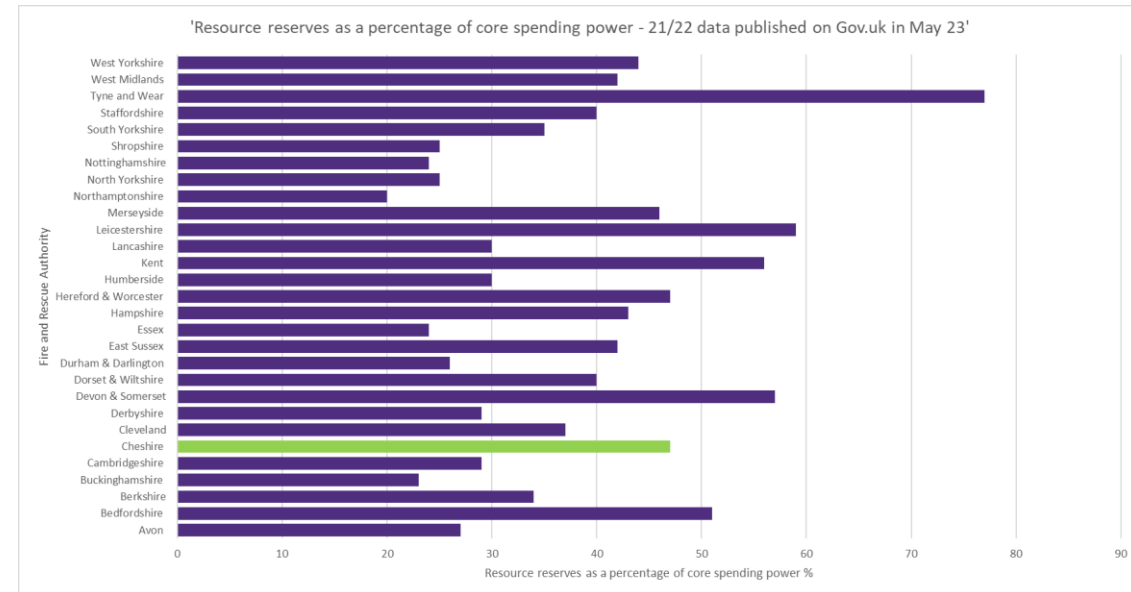
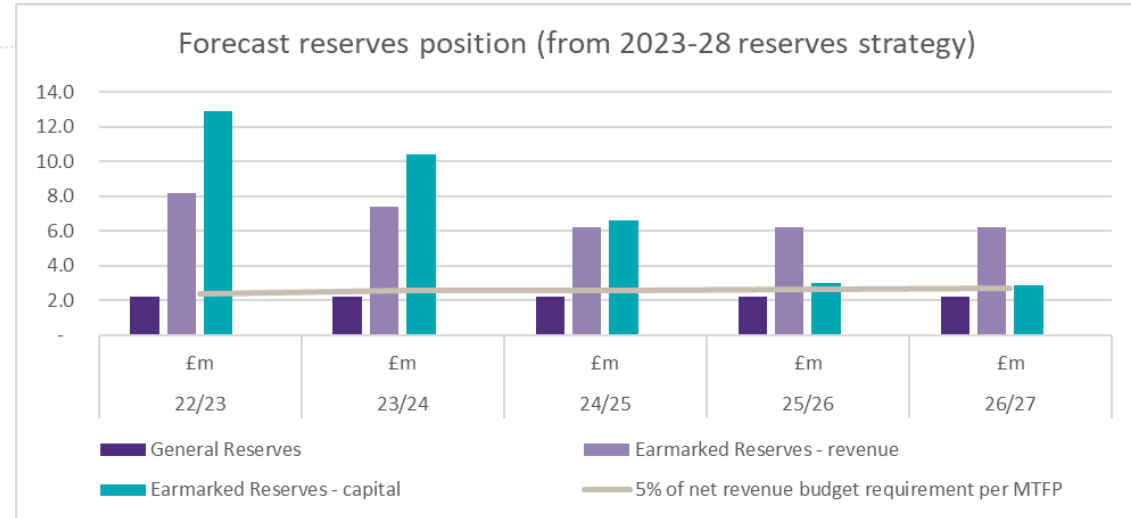
Funding gaps and use of reserves

The funding gap, and savings requirement for the Authority has been relatively low in recent years but even with a £1.4m increase in government funding the Authority had an initial budget gap of £0.8m for 2022/23. However, the Authority was able to identify saving schemes to balance the budget with no planned use of reserves. Saving schemes are approved through the PBB process via discussions with the budget holders. The MTFP for 2023-28 identifies a balanced budget for 2023/24 with savings of £0.9m required but in the subsequent years there are budget gaps identified in all years, with £0.9m in 2024/25 even after £0.4m of identified savings. We are aware the Authority are reviewing this and looking at different strategies but have included an improvement recommendation as if those budget gaps are funded from reserves it would impact on the Authority's current reserves strategy as noted below and as highlighted in the graph opposite. We do note however from the comparative data in terms of reserves Cheshire is in a relatively strong position compared to most Authorities.

The Authority has a reserves strategy which it publishes each year alongside the budget, updated MTFP, capital and treasury strategy. In line with the Fire and Rescue National Framework recommendations the Authority feels that an appropriate and prudent level of general reserves is around 5% of net budget, which appears prudent. The graph opposite illustrates there is no planned reduction to general reserves over the MTFP period, however the proposed net budget requirement levels are greater than the 5% target set. It is not possible to build reserves for every uncertainty into the budget and reserves. The Authority includes some scenario and sensitivity analysis within the budget and MTFP setting out the impact changes to different assumptions, and the impact of this on the budget gap. For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £0.07m. For every 0.5% above or below the proposed £5 Band D council tax increase post 2022, the impact would be a change in funding levels of approximately £0.16m per annum and likewise a 0.5% movement in the firefighter pay award would have a potential £0.13m impact on the budget gap. This analysis helps clarify the impact of changes in the assumptions and will aid informed challenge from members of the Authority.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services. We have made one improvement recommendation in respect of medium-term financial planning and reserves levels – see page 11 for details.



Improvement recommendations

Improvement Recommendation 1

Medium-term financial planning

Improvement opportunity identified

The Authority should strengthen its medium-term financial planning arrangements in order to identify the savings required to balance the budget and to ensure that the capital programme can be achieved.

Summary findings

The MTFP for 2023-28 identifies a balanced budget for 2023/24 with savings of £0.9m required but in the subsequent years there are budget gaps identified in all years, with £0.9m in 2024/25 even after £0.4m of identified savings. If these gaps are funded from the general reserve it would mean reserve levels fall below 5% of the net revenue budget, which is the Authority's reserve strategy. In addition there is currently no financial provision included in this strategy or any other plans relating to either Ellesmere Port or Warrington Fire Stations. If significant additional capital expenditure is approved in respect of these sites, it will be necessary to increase the future borrowing requirement and to recognise the impact of associated financing costs in the Medium Term Financial Plan.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Authority recognises the financial challenges it faces. The Budget Management Board is focussed on ensuring that budgets are balanced by using the Priority Based Budgeting process to help identify efficiencies and moderate financial pressures and by seeking opportunities to maximise funding.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements 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. The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures 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.

Informed decision making

The Authority operates a committee system rather than an executive/cabinet model. The Authority itself makes all the key decisions. It appoints the following main committees: Performance and Overview; Governance and Constitution; and Estates and Property. Seats on these main committees are allocated in political proportion.

Senior officers attend the Authority meetings and Committees to present reports and are open to questions during committee meetings. The Authority is made up of 23 elected members from Cheshire East Council, Cheshire West and Chester Council, Halton Borough Council and Warrington Borough Council.

Policies, procedures and controls

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The website has a section with a list of policies, which include all key policies that we would expect to see, including a Constitution. These are available online to the public.

In respect of the prevention and detection of fraud, the Authority has an Anti-Fraud Policy, Whistleblowing Policy, as well as a Code of Conduct. There is also a gifts and hospitality policy and there is a standing item in all Authority and committee meetings to disclose pecuniary and other 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. The Authority also took part in the National Fraud Initiative which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These policies, and participation in the National Fraud Initiative, taken as a whole reflect a strong institutional response to reducing instances of fraud.

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 as well as capital plans. A mid-year Treasury Management report is taken to the relevant Authority meeting and updates the Authority on the progress of the capital position, updates prudential indicators as necessary, and whether the actual execution of treasury management is in line with the strategy or whether any policies need revision. Then there is an Annual Treasury Management report which provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. In addition, members receive a draft report on the budget in December, a final report in December and during the autumn and winter they get updates at Planning Days to ensure they're fully informed.

Governance (continued)

Informed decision making including the Audit Committee

In 2020/21 we raised a recommendation as the Authority did not have a dedicated Audit Committee and this function was performed via the full Authority. This recommendation was developed throughout 2021/22 and on 16 November 2022 the inaugural audit committee took place. Once this committee is fully embedded, we would recommend a review of its effectiveness is scheduled on a periodic basis, so we have included this as an improvement recommendation.

Internal audit is provided by Mersey Internal Audit Agency and their Head of Internal Audit Opinion is detailed below and their report on key financial controls (including reserves) gave high assurance.

The Authority's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	<p>Areas for Action in 2023/24 identified in the 2022/23 AGS:</p> <ul style="list-style-type: none"> • Fire Authority – significant changes to Members post May election, training required • Audit Committee – embed into business as usual • HMICFRS – respond to any areas of improvement • A review is underway of services delivered jointly with the Police under Blue Light Collaboration. 	<p>Areas for Action in 2022/23 identified in the 2021/22 AGS:</p> <ul style="list-style-type: none"> • The Authority does not have an asset management strategy in place. (In development) • The Authority's budget managers require development and support in managing their budgets. (in progress) • The Authority should ensure that its MTFP has sufficient sensitivity analysis on future sustainability (ongoing – MTFP now included at SLT meetings) • The Authority has no formal Section 114 notice process in place (Now in place) • Review option appraisal element of the budget bid form. (to be included in 2024/25 budget bid forms) • The draft White Paper on Reforming Fire and Rescue Services has been released and the Authority will need to respond to it (Responded)
Head of Internal Audit opinion	Substantial assurance, i.e. that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistent	Substantial assurance, i.e. that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistent

Governance (continued)

Risk management

The risk management process changed during the year with the establishment of the Audit Committee. As the Audit Committee is expected to have a strategic overview of risk, the Risk Management Board will no longer take place in its previous format. The work of the Risk Management Board, which included two elected Members, is now split between the Audit Committee and the Risk Management Group (RMG) which is made up of senior officers. The RMG will meet quarterly prior to meetings of the Audit Committee and the RMG met for the first time on 14th June 2023.

The Joint Corporate Service Planning and Performance staff provide an active support role in risk management for both Fire and Police (operated on a joint basis throughout 2022/23 then transferring back to fire from 1 April 2023) which includes training, risk review meetings with Heads of Department oversight and coordination of the risk registers and maintenance of the Strategic Risk Register.

All CFRS risk registers are recorded on the Cheshire Planning System which is an online tool that supports the recording of risk, progress history, control measures, mitigating actions etc. The system also supports risk reporting and excel risk registers are a standard report fed directly from the system. Risks are scored according to their impact and likelihood and the risk scoring methodology document offers a detailed explanation for users.

Risks scored 15 and above should be considered for escalation to the Strategic Risk Register. The escalation process allows for review by the Head of Department initially and then escalated risks are considered at the next Risk Management Board.

Overall, the arrangements in place to assess and monitor risk are appropriate. The diagram opposite (taken from the 2021 risk management policy as part of the 2022/23 Annual Risk Management Report) shows how risk management flows throughout the organisation.

Finance team

We have not noted a high turnover of finance staff during 2021/22 or 2022/23. Although it is a small team, there is no evidence of a lack of capacity in the finance department, with budget monitoring and annual accounts being completed to an overall high standard. With a small team however, it is essential that appropriate succession planning is in place, particularly given the separation of the joint finance team with police in 2023/24 and the planned retirement of the s151 officer. This should ensure that there is no loss of corporate memory. There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2021/22 and previous financial statements and are proposed for 2022/23.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made one improvement recommendation on page 15.



Improvement recommendations

Improvement Recommendation 2

Audit Committee effectiveness review

Improvement opportunity identified

An evaluation of the effectiveness of the Audit Committee should take place in the next 12 months to ensure it is operating as expected.

Summary findings

The Audit Committee was established in November 2022 with an independent member and finalised its terms of reference in April 2023. It would therefore be appropriate to perform a review of its effectiveness during 2023/24 once its embedded.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The CIPFA Guidance states that it is good practice for the Audit Committee to produce an Annual Report. This was discussed with the Committee at its last meeting and the first Annual Report will be produced in the first half of 2024 (once it has operated for a full cycle).

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements 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. The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships 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.



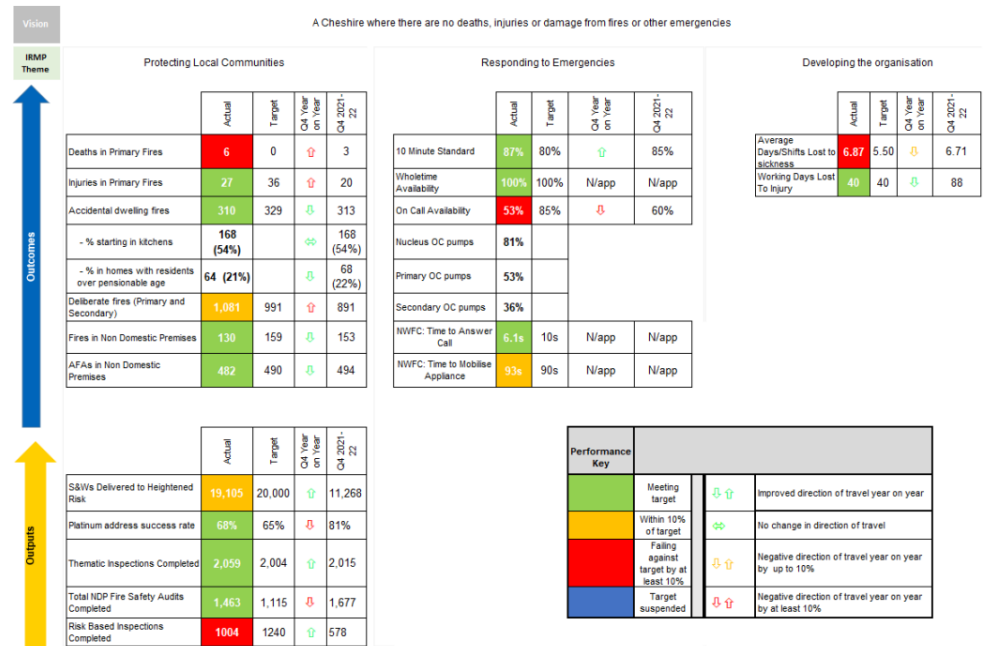
Use of financial and performance information

Performance of the Fire Service is monitored by the Authority through quarterly performance reports which are taken to the Performance and Programme Board and then onto the Performance and Oversight Committee, and subsequently to the Authority meetings. The performance reports include performance against the key performance indicators (KPIs) which are set by the Authority. These KPIs are aligned with the Authority's IRMP, thereby linking performance to strategy. The 2022/23 Corporate Performance Scorecard for the year is shown opposite.

Cheshire Fire has continued with the SPOA programme launched in April 2022 and this is now embedded and done on a quarterly basis covering all watches and stations. The station management framework was reviewed by Internal Audit and given substantial assurance.

Performance Report Scorecard, Year End 2022-2023

A Cheshire where there are no deaths, injuries or damage from fires or other emergencies

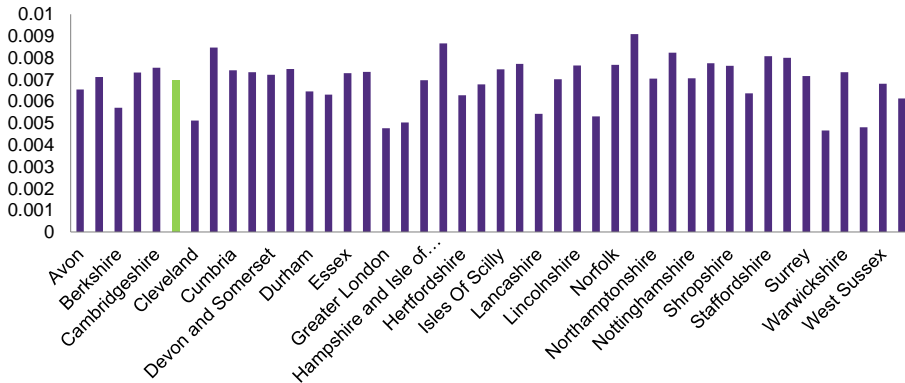


Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

As well as internal monitoring, Cheshire regularly benchmarks itself against other authorities to ensure that they understand how they compare performance-wise. As can be seen from the graph below, Cheshire is performing well when it comes to response times, which is a key target.

Total Response Time by Fire Authority (per June 23 Gov.uk Analysis)



External inspections

In 2023 HMICFRS did their third inspection into Cheshire Fire, assessing the service’s effectiveness and efficiency, and how well it looks after its people, and graded them against 11 areas. The extract from the report issued in August 2023 below shows how Cheshire Fire performed and the Inspector was pleased with the performance and noted that the service had made progress since 2021. Any items raised by the inspection team are reviewed by the service improvement team and then allocated as appropriate. Actions are revisited on a quarterly basis through SLT, P&B and then reported in the P&O committee.

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Public safety through fire regulation	Understanding fire and risk		
	Future affordability	Preventing fire and risk		
	Promoting values and culture	Responding to fires and emergencies		
	Right people, right skills	Responding to major incidents		
	Promoting fairness and diversity	Best use of resources		
	Managing performance and developing leaders			

Improving economy, efficiency and effectiveness (continued)

Partnership working

One of Cheshire Fire's main partnerships has historically been with Cheshire Police and their various Joint Corporate Services. During 2022/23 the Joint Corporate Services departmental reviews have continued. As a result of these reviews several services have moved back 'in-house' either during 2022/23 or following the year-end. Not all the reviews have yet been finalised and while this is ongoing we noted that performance monitoring was not necessarily taking place as planned, nor were actions always being followed up, therefore we have raised an improvement recommendation in respect of this.

The Authority is also one of four owners of North West Fire Control Limited (NWFC) which is a company limited by guarantee with the responsibility for Fire and Rescue Service emergency call handling and mobilisation for the North West region, excluding Merseyside. The Company is owned by Cheshire Fire Authority, Cumbria County Council, Greater Manchester Combined Authority and Lancashire Combined Fire Authority. Each owner of the company has the right to appoint 2 directors. The directors have equal voting rights. NWFC provides the control room functions for all the FRAs. The cost of the service is charged out to the four FRAs on an agreed pro rata basis and is subject to a Service Level Agreement.

The Authority also collaborates with other emergency services, local authorities and other public bodies when it is advantageous to do so, for example working with local NHS bodies as part of the vaccination programme or delivering road safety training for local authorities.

Commissioning and procurement

The Authority has a Contracts and Procurement Strategy in place. There is a joint corporate strategic procurement department with Cheshire Police to provide value for money in the procurement of goods and services. The overall approach for procurements is that they will follow the financial regulations for procurement.


The Procurement Department also works closely with four other North West Fire and Rescue Authorities (Merseyside, Greater Manchester, Cumbria and Lancashire) to collaborate on procurement activity.

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 but have included an improvement recommendation – see pages 19.



Improvement recommendations

Improvement Recommendation 3	Monitoring of KPIs for corporate services
Improvement opportunity identified	Where joint corporate services have been reviewed, Cheshire Fire should ensure that appropriate KPIs are introduced for each service and that these are monitored.
Summary findings	We understand that the Joint Corporate Services departmental reviews continued during 2022/23 and are still ongoing. We are aware that whilst these are still ongoing, assessment of KPIs and performance monitoring is not necessarily being performed.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	A Performance Framework has been agreed, which will help to drive performance. It will be fully implemented once the reviews are all concluded and form part of the overarching agreement between Cheshire Fire and Cheshire Constabulary.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements 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. The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	Given the likelihood that any budget gaps will increase further given the current economic climate and inflationary pressures, we recommend consideration should also be given to introducing a formal and more frequent review and sensitivity analysis and scenario planning on key assumptions and estimates within the MTFP. This will provide transparency on the sector wide uncertainties the Authority is subject to and the potential impact of these on its financial sustainability.	Improvement	November 2022	The MTFP is now reviewed as part of each SLT meeting and reviewed as part of the Budget Monitoring Board, as well as going to member planning days.	Yes	No
2	We recommend, as in 2020/21, that Cheshire Fire look at integrating financial performance reporting with service delivery performance reporting.	Improvement	November 2022	The Authority is comfortable that it does provide the information at the same time but some areas of performance, e.g. death in fire, do not have a natural link to finance. However, as noted above the MTFP now goes to SLT and BMB meetings, so finance is an integral part of reporting.	In-part	No
3	We recommend that a formal written performance management framework or policy is introduced.	Improvement	November 2022	The existing performance management arrangements are described in an old performance management framework document. This will be refreshed and approved during first quarter of 2023/24.	In-progress	To follow up to see if approved.
4	We recommend that the Service review its collaboration arrangements to ensure they are formally agreed and finalised, effective and there are suitable measures in place to measure the performance of these collaborations and that a formal monitoring process is introduced to make them as effective as possible.	Improvement	November 2022	There have been joint corporate services reviews throughout 2022/23 and ongoing. As these are not yet finalised, no formal arrangements for remaining collaborations are in-place.	No	Yes – in-part re-raised as recommendation 3

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Authority 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 Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion following the Audit Committee meeting on 24 January 2024. Further information on our audit of the financial statements is set out on page 22.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was presented to the Audit Committee in April 2023.
- Our audit work was completed both on site and remotely during July-September.
- The Authority did not provide draft financial statements in line with the national timetable due to delays in receiving information from third parties.
- We identified IFRIC14 and the recognition of a pension asset as a new risk during the course of our audit as well as identifying an issue with part-year inflation and we also had some issues with the land and buildings valuations.
- We issued an unqualified opinion following the Audit Committee meeting on 24 January 2024 and therefore this is also not in line with the national timetable.

Findings from the audit of the financial statements

- Our audit identified 3 significant risks:
 - Management override of controls, which is a mandated risk under ISA240. Our testing of journals identified through application of our specified criteria and targeted risk assessment did not identify any evidence of inappropriate management override of controls.
 - Valuation of land and buildings as it represents a significant estimate. Our audit testing identified that for one fire station, the valuation did not include amounts for the hardstanding, fencing, drill tower etc. This led to the asset being understated and this was included as an audit adjustment.
 - Valuation of pension fund net liability as it also represents a significant estimate and small changes in the assumptions have a significant impact. Our work identified an adjustment of £8m in respect of part-year inflation and an adjustment of £8.2m in respect of the impact of IFRIC14 to the financial statements.

Our recommendations were linked to the pensions and land and building valuation issues noted above.

More detailed findings are set out in our Audit Findings Report, which was presented to the Authority's Audit Committee on 26 September 2023. Requests for this Audit Findings Report should be directed to the Authority.



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

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



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness.	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place, one improvement recommendation raised.
Governance was not identified as a potential significant weakness.	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place, one improvement recommendation raised.
Improving economy, efficiency and effectiveness was not identified as a significant weakness	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place, one improvement recommendation raised.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	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 Authority. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	Yes	11, 15, 19

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

AFI – Areas for Improvement

AGS – Annual Governance Statement

AFR – Audit Findings Report

BLC – Blue Light Collaboration

BMB – Budget Management Board

CFRA/S – Cheshire Fire & Rescue Authority/Service

FRA – Fire & Rescue Authority

HMICFRS - Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services

IRMP – Integrated Risk Management Plan

MTFP – Medium Term Financial Plan

NAO – National Audit Office

NWFC – North West Fire Control Limited

P&O – Performance and Overview

PBB – Priority Based Budgeting

RAG – Red, Amber, Green

RMB – Risk Management Board

RMG – Risk Management Group

SLT – Senior Leadership Team

SPOA – Station Performance and Operational Assurance Audit

TCWG – Those Charged with Governance (for CFRA this is the Authority)

