Auditor's Annual Report Merseyside Fire and Rescue Authority

Year ending 31 March 2023

January 2024

Contents

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

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

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.

Securing economy, efficiency and effectiveness in the Authority'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 Authority's responsibilities are set out in Appendix A.

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 6 to 13.

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 Authority 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 Authority's arrangements under specified criteria, as we have done in preceding years. As part of our work, we considered whether there were any risks of significant weakness in the authorities arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Authroity may set out actions to make improvements. 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	A	Our work did not identify any areas of significant weakness in arrangements but we have made one improvement recommendation in regard to closing the MTFP funding gap.	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	↓
Governance	No risks of significant weakness identified	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations. We note that the prior year recommendation to review 3rd party contracts has been actioned.	A	Our work did not identify any areas of significant weakness in arrangements but we have made one improvement recommendation.	↔

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

Executive summary (continued)

Financial sustainability

During the financial year 2022/23 the Authority presented a financial plan which is realistic in the current economic environment and aligned to their strategic objectives. This resulted in a budget surplus at the end of the reporting period, enabling a contribution to reserves. Moving into 2023/24 the Authority is utilising its substantial reserves, capital receipts and revenue contributions to fund a significant proportion of its capital program. This will help to ensure its reliance on borrowing and exposure to the impact of interest rates is minimised in line with the borrowing strategy and risk appetite, as outlined within the MTFP up to 2027/28. Throughout the year the arrangements for budget setting and monitoring have been effective, providing a clear view of performance and allowing the Authority to react quickly to challenges, as such this has mitigated the requirement for any extensive programme of savings. Our review of the Authority has revealed no evidence of significant weakness in the arrangements to secure financial sustainability. Demand and other pressures are appropriately provided for and effective measures are in place to cover unexpected cost increases. The overall focus on the capital program aligns to the services strategy and objectives. Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail.

Governance

The Authority continues to exhibit effective governance arrangements overall. The Authority has an established risk management process and demonstrates transparent and effective budget planning and management. The Authority continues to deliver the required standards of governance and this is demonstrated in the most recent HMICFRS Inspection report, although this does flag some areas for improvement. The Integrated Risk Management Plan sets a clear direction and is supported by effective decision making. Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

Improving economy, efficiency and effectiveness

Our review of the Authority has revealed no evidence of significant weakness in their arrangements for improving the way the service is delivered. Procurement arrangements continue to operate in line with previous years and are aligned with national programmes. Performance monitoring is sufficiently aligned to the aspirations of the Authority and is supported by coherent and effective performance monitoring arrangements. The Authority is part of a network of partnerships that are directed towards strategic development and enabling service delivery, including collaboration with other blue light agencies such as Merseyside Police and North West Ambulance Service (NWAS). In keeping with the other themes under review, we found no grounds to make improvement recommendations in regard to improving economy, efficiency and effectiveness.

Financial Statements opinion

We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion.

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.

Financial Performance

During 2022/23 the Authority have encountered financial pressures persisting throughout the public sector, operating within an economic environment heavily influenced by the cost-of-living crisis, high inflation and post pandemic recovery. These circumstances increase the importance of effective financial planning and the assumptions that underpin this. In respect of Merseyside Fire and Rescue Authority, we note that they have consistently delivered underspend against budgets in prior years over and above planned contributions to reserves and again achieved an underspend of £3.3m in 2022/23. This is an indication that the Authority sets realistic budgets and manages in year pressures effectively.

Managing demand and financial pressures

As with Fire Authorities across the country, the largest proportion of funding is consumed within the 'front-line' services with approximately 70% of the cost base being staffing and appliances. We note that the Authority made initial assumptions of a pay award of 2.5%, however the actual outcome was an increase of 7% to which we noted that the Authority used its 'inflation reserve' which was earmarked to help manage this risk to offset this unbudgeted cost. This reserve was later replenished by the net underspend delivered during the year.

Demand is likely to remain broadly similar as the Merseyside region has not been subject to any significant changes in infrastructure or projected number of dwellings over the past year. We note that plans are underway within Wirral to add 5000 properties to the area, further necessitating the already planned upgrade of Bromborough station.

Cashflow has been actively monitored and managed and there have been sufficient levels of cash and cash equivalents to cover fluctuations during the year, noting that the Authority's key funding sources are received in the form of grant and precept which are generally predictable and are not subject to major fluctuation.

Identifying savings and funding gaps

The Authority prepared a Medium-term Financial Plan (MTFP) which projects the expected level of funding for the service against the expected costs. In the absence of a multi-year funding settlement, this projection is based on prudent assumptions and the Authority expects to be able to close the gap in setting the 2024/25 budget without needing to resort to significant savings plans.

The financial position reflects significant work over the last 5 years to strengthen financial sustainability and the Authority's financial plans reflect the targeted investment in stations, a new training facility and equipment to support the Integrated Risk plan. We note that under the current plans, the service has been able to consistently generate an underlying operating surplus which has been used to fund a significant part of its annual capital programme, reducing the need for borrowing and associated costs. We note that in the latest HMICFRS assessment in 2023, the Authority was assessed as 'Outstanding' for use of Resources and 'Good' for Future Affordability based on the MTFP and other plans that were reviewed.

The Authority have developed their financial plans on the basis that they are in a sufficiently robust position to prioritise investment in front line services. The intention is to build services back following an extended period of reducing services in the 10 years prior to the COVID-19 pandemic. This is in line with the strategy set out in the IRMP. For example, the MTFP 2024/25 sets out an intended recurrent revenue investment of £0.634 in improved resilience, training and response and other investment in establishment to meet recruitment/ retention challenges over and above prudent assumptions around pay inflation. In addition, the MTFP also assumes a recurrent revenue contribution to capital funding of £0.375m.

The net effect of this investment when offset against prudent net cost assumptions is to open a funding gap of £0.683m in 2024/25 rising to £1.040m by 2027/28. This position includes a decision to increase the precept in 2023/24 by the available £5 and recurrent efficiency savings of £0.380m in the same year (above the 2% national efficiency target for Fire Authorities). The funding gap at the end of the period equates to a relatively modest 1.2% of the projected service budget.

Financial sustainability (continued)

£m	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast net expenditure in MTFP	67.921	£70.645	72.140	73.270	74.870
Forecast funding in MTFP	67.921	69.962	71.293	72.548	73.830
Forecast deficit	0.000	0.683	0.847	0.722	1.040

Mitigating strategies to manage the forecast funding gap

The Authority has access to a range of mitigating actions that could be deployed to close the funding gap without the need for service reductions, with the immediate pressure of £0.683 for 2024/25 currently being determined as part of the budget setting process.

The MTFP indicates that a key financial lever is to review the treasury management strategy to re-phase the capital programme and look for ways to reduce the revenue cost of borrowing. Reconsideration of the annual recurrent revenue contribution to capital could be reduced as part of the mitigating strategy. The financial assumptions that build into the MTFP to manage potential pressures also build in some resilience and have contributed to the Authority delivering substantial budget surpluses, notably in 2022/23 where staffing costs were lower than expected. An example of this is energy prices which were expected to start to reduce in 2025/26 in the MTFP but may in fact come down earlier.

The Authority also has the option of reducing or reversing some of the investment in services, although they are striving to protect this as part of the annual budget setting process. In its annual Productivity and Efficiency plan submitted to the Home Office, the Authority sets out its capacity to deliver efficiency savings and its track record of doing so in the past. As a final backstop, the Authority has sufficient reserves to cover the potential funding deficit in the medium term, while longer term solutions are developed.

Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail. This should include potential savings options and how it could make use of reserves to smooth the impact over the MTFP period. We have made an improvement recommendation to this effect.

Reserves and capacity to manage financial risk

The service has maintained a healthy level of reserves which have enabled it to manage the significant volatility in the energy market which created higher than budgeted inflation of energy costs and to mitigate the risk of pay settlement being higher than initially forecast.

The current MTFP 2023/24 to 2027/28 shows relatively high levels of accumulated reserves at the start of 2023/24 with Earmarked Reserves of £17.006m and General Reserves of £3m. This is expected to reduce over the period, primarily as a result of the use of reserves earmarked to help fund capital programmes and reduce the need to borrow. Other planned uses of reserved earmarked for the purpose include Modernisation Challenge funding set aside to support transformation as part of the investment strategy set out in the Integrated Risk Management Plan. We are satisfied that these reserves are being invested for the purposes they were earmarked for to contribute to service improvement. The overall reserves position is expected to write down to £8.346m by 2027/28, which would be 11.3% of forecast net expenditure and still significantly higher than CIPFAs 5% recommended minimum.

Within the reserves position, we not that there are several large balances set aside to manage unmitigated financial risks. We note that the available balances are sufficient to cover the projected MTFP deficit, should the Authority not succeed in closing the gap by other means. These are set out below:

£m	2023/24	2024/25	2025/26	2026/27	2027/28
General Revenue Reserve	3.000	3.000	3.000	3.000	3.000
Earmarked Reserve: Modernisation Challenge – Smoothing Reserve	1.788	1.000	1.000	1.000	1.000
Earmarked Reserve: Inflation Reserve	1.650	1.650	1.650	1.650	1.650
TOTAL RESERVES AVAILBLE TO MANAGE GENREAL FINANCIAL RISKS	6.438	5.56	5.56	5.56	5.56

Financial sustainability (continued)

Sustainable delivery of strategic priorities

The Authority have set their ambitions on becoming the leading fire and rescue Authority in the country and have developed up a budget to aim to deliver this, with a focus on key drivers such as workforce, stations, collaboration and the new training facility, which has commercial potential. This is outlined in the Integrated Risk Management Plan 'IRMP' setting out the challenges and how resources are utilized to meet them. The capital program is an example of how the Authority is using its financial resources to drive for service improvement.

Further to meeting the current statutory obligations and service pressures the Authority is also taking a forward look in the context of its carbon reduction strategy. The Authority has engaged a third party to assist in the assessment of its environmental impact and the finding of which have drawn out a series of actions that will help support the Authority to meet its goal of being net zero by 2040.

Capital, program and investment planning

The Authority carried external debt of £33.7m as at the end of the year 2022/23, compared to prior years closing position of £33.9m. The overall value remains within the Capital Financing Limit and is compliant with the prudential code. This is actively monitored and reported in summary to the authority and supporting committees at intervals during the year.

The Authority has a current approved capital programme of £54.9m over the MTFP period up to 2027/28. The construction of the new Training & Development Academy 'TDA' is the most significant element of the program at an expected total cost of £39.9m. The remaining £24.5m is planned to be spent during the current year 2023/24 with the facility due to open in 2024. We note that the capital programme is front loaded in the year's 2022/23 and 2023/24 with a significant proportion of this due to the delivery of the TDA development. From 2024/25 the funding requirements reduces considerably.

While the capital programme is mostly funded through borrowing from PWLB approximately 22% (£12.1m) is funded from a mixture of capital receipts, earmarked capital reserves and a budgeted contribution from operational surpluses on the revenue budget, thereby reducing financing costs and exposure to interest rate risk.

The TDA will replace two existing fire stations which were coming to the end of their life. The new site has a better strategic location which will enable the service to reduce response times in 'harder to reach' areas, with the current distribution of facilities. This is a good example of the Authority investing capital resources to support its strategy and to generate service efficiencies.

During 2022/23 the Authority deemed it necessary to re-phase part of the planned capital expenditure of £25.5m 2022/23 into future years to the value of £6.334m (25%). The largest of these variances included the rephasing of expenditure on National Resilience related assets pending review of needs by the Home Office and due to the need to finalise the specification of new appliances and supporting vehicles. Other programmes including TDA proceeded in line with plan. The variances reflect changes in national and local operational requirements and appear reasonable.

Summary of findings

Our review of the Authority has revealed no evidence of significant weakness in the arrangements to secure financial sustainability. Demand and other pressures are appropriately provided for and effective measures are in place to cover unexpected cost increases. The overall focus on the capital program aligns to the services strategy and objectives. Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail.

Improvement recommendations

Improvement Recommendation	The Authority should set out its mitigating strategies to manage the projected medium term funding deficit in more detail. This should include sources of potential savings and how it could make use of reserves to smooth the impact over the period. We have made an improvement recommendation to this effect.
Improvement opportunity identified	The Authority does not currently maintain a savings plan or set out a clear mitigating strategy despite projecting funding gaps over the life of the MTFP, preferring instead to consider its approach as part of the annual budget setting process. In the meantime, it is not made clear how the Authority intends to address the projected deficits and what the options are.
Summary findings	The net effect of the planned investment in the service is to open a medium-term funding gap of £0.683m in 2024/25 rising to £1.040m by 2027/28. This position includes a decision to increase the precept in 2023/24 by the available £5 and recurrent efficiency savings of £0.380m in the same year (above the 2% national efficiency target for Fire Authorities). The funding gap at the end of the period equates to a relatively modest 1.2% of the projected service budget. The Authority has access to a range of mitigating actions that could be deployed to close the funding gap without the need for service reductions, with the immediate pressure of £0.683 for 2024/25 currently being determined as part of the budget setting process.
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 medium term financial plan has projected Authority spend and Government funding up to 2027/28, whilst the 2023/24 Local Government Finance settlement is only a one year settlement. The 2024/2025 and future years' estimates are based on assumptions that are prudent, as future Government funding for the Fire and Rescue Service is subject to a number of Government reviews and the national economic performance. The Authority has a proven track record of addressing future financial challenges and therefore, agreed to note future financial challenges at the point of setting the 2023/24 budget and deal with any financial issues in future budget rounds. The Authority has a range of mitigating strategies that could be deployed to close future funding gaps, should these be required. Mitigating Strategies will be set out in more detail as part of the future budget setting process.

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 B.

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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Authority has appropriate Risk Management arrangements in place which allow them to identify and manage risks effectively. Arrangements include a Corporate Risk Register which outlines allocated risk owners, identifies controls and mitigations, is mapped to corporate objectives and follows a traditional 5x5 impact and likelihood scoring matrix.

The Corporate Risk Register is shared bi-annually to the Fire Authority and serves as a basis for discussion of risks in Authority meetings. Review of Fire Authority meeting minutes demonstrate comprehensive check and challenge of risks. For example, the September 2022 iteration of the Corporate Risk Register flagged the outstanding implementation of recommendations from the Grenfell report as needing oversight with the Risk Based Inspection Programme (RBIP) being used to provide this. The March 2023 update reported that RBIP had commenced and that that 90% of the Phase 1 recs had now been implemented with work ongoing to complete the process.

Furthermore, the Authority's Risk Management arrangements feed into their overarching Integrated Risk Management Plan (IRMP) which outlines managing fire and rescue related risks.

Decision making and governance culture

The Authority has appropriate arrangements in place ensuring decision-makers are provided with all relevant information before coming to final decisions, which are made by the Fire Authority and Senior Leadership Team. An example of these arrangements is quarterly Fire Authority meetings where the Chief Fire Officer, S151 Officer or Procurement officer present details of the current challenges and how decisions made could determine the direction of the plans needed to achieve continuous improvement.

In addition, the general 'tone from the top' is positive and supports a constructive environment where informed decisions can be made. This is reflected in the IRMP and evidenced through our discussions with senior officers and attendance at Audit Committee meetings. The management culture was rated 'Adequate' in the recent HMICFS inspection report for the Authority issued in October 2023. This report was highly positive overall, stating that the service had promoted positive culture and values and that senior leaders act as role models.

To manage the delivery and governance of the 'TDA' capital program, the Authority has established an executive board that meets every two months to set priorities, under which a project board meets monthly to ensure the delivery is 'fit for purpose'. This is supported by dedicated subgroups to oversee individual areas of work, such as the ICT systems and the Home Office 'National Resilience' collaboration. Periodic reports on progress then get fed through to the Authority, the most recent being July 2023 reporting that the programme was on schedule to complete in line with the plan in April 2024.

Governance (continued)

Annual budget setting and budgetary control

The Authority has suitable budget setting and approval processes. Both internal and external stakeholders are consulted prior to setting up the budget, including committee members, union representatives and Local Authority leaders in the Merseyside region. Once input from all relevant stakeholders is gathered, the budget is reviewed by the SLT and approved by the Chief Fire Officer. Subsequently, the final budget is approved by the Full Authority. The incremental nature of the budget review and approval process allows room for check and challenge which helps ensure budgets are set appropriately.
The budget control arrangements are appropriate. The Authority's budget position is regularly reviewed through monthly cost centre meetings which involve budget managers and the S151 Officer, and a quarterly financial monitoring report is shared with the Audit Committee, SLT and Full Authority, with variances discussed in meetings.

Legislative and regulatory standards and behaviours

The most recent HMICFRS Inspection report was highly positive overall and scored the Authority as 'Adequate' for the themes of 'Promoting the right values and culture' and 'Ensuring Fairness and Promoting Diversity'. The report established that the appropriate arrangements were in place and were advocated by senior management but did highlight that there was some work to do around making sure the code of ethics is implemented effectively throughout the organisation and a need to review the effectiveness of its policies on bullying and harassment.

The Code of Conduct has clear descriptions of what is expected of staff, including Declaration of Interest and Gift and Hospitality policies. All member declarations are publicly available on the Authority's website. The Authority has a Treasury Management policy in place which is refreshed and approved annually by the Full Authority alongside the budget. Overall, the Authority has suitable legislative and regulatory standards, guidance and policies in place but needs to improve in the areas highlighted by HMICFRS.

Conclusion

The Authority continues to exhibit effective governance arrangements overall. The Authority has an established risk management process and demonstrates transparent and effective budget planning and management. The Authority continues to deliver adequate standards of governance and this is demonstrated in the most recent HMICFRS Inspection report, although this does flag some areas for improvement. The Integrated Risk Management Plan sets a clear direction and is supported by effective decision making. Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

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.

Managing performance

Service performance is measured in both financial and operational metrics which are outlined in detail within the Integrated Risk Management Plan 'IRMP'. This sets out the criteria used to evaluate the quality of service being delivered by the Authority as well as how this compares to other fire authorities nationally. These criteria include response times and callouts attended, which year on year are progressively improving, in part due to the active management and measurement of these deliverables as well as the Authority's continuous efforts to ensure that they are both equipped and strategically located in order to both maintain and improve upon its currently service levels. Our view on the selected standards by which the Authority are comparing, is that they effectively reflect the core values and key elements of the service.

The most recent HMRC inspection report issued in October 2023 was highly positive. It assesses the Authority against 11 service areas and found the service to be 'outstanding' or 'good' in 8 of these areas, including its approach to preventing fire & risk, responding to major incidents and making best use of resources, where it was rated 'outstanding'. The Authority was rated 'adequate' for the remaining three areas concerning values and culture, people and skills and promoting fairness and diversity and there were some areas where improvements need to be made. In addition to the areas covered in our commentary under Governance above, we also note some improvements were needed around succession planning and some aspects of people management. It is important to note that despite these areas for improvement, the report was highly complimentary about the Authority overall and none of the 11 areas reviewed were rated in the bottom categories of 'Requires Improvement' or Inadequate'.

The Authority was rated good in 5 other area's and adequate in the remaining. This is evidence that appropriate actions have been taken by the Authority to address the recommendations put forwards in the previous report.

Procurement and Partnership Working

The ability to procure the correct equipment and appliances is one of the key enablers to achieving the Authority's strategic ambitions. The Authority need to have access to a versatile fleet of response vehicles so that it can deliver the service in a geography that provides challenges from a number of 'high rise' vertical structures to marine expanses. The Authority operates within a network of national and regional purchasing and procurement frameworks which help safeguard value for money across most areas of equipment and supplies. Procurement activity above the thresholds set out in the contract procedure rules are presented to the Authority for decision and we consider that the papers presented are proportionate to the expenditure and provide a good level of information to inform the decision.

In the prior year 2021/22 we noted that that the Authority had encountered some difficulties with its joint procurement arrangement with Liverpool Council for energy supply. We note that issues with the arrangement resulted in the Authority paying an inflated rate for energy costs for a short period, following the outbreak of the Ukraine war and the subsequent impact on energy price inflation. We note that the Authority took action to remedy this although it was not able to avoid incurring significant additional costs. A new contract was entered into at a more competitive rate up to March 2025 at which point a new energy contract will be negotiated. We note the new arrangements the Authority has put in place to ensure that they have greater visibility and influence on shared procurement arrangements in future and that these have received positive assurance from an internal audit review conducted during 2022/23.

Improving economy, efficiency and effectiveness (continued)

Procurement and Partnership Working (continued)

Procurement relationships exist with other North West Fire Authorities, which the service collaborates with to ensure that they are channelling the purchasing power available within the region to make advantageous use of the potential for economies of scale in the procurement process.

The Authority is the nominated host of the National Resilience Assurance Team (NRAT) across the UK. The service manages and deploys specialist vehicles and capabilities for deployment anywhere across the country with officers seconded from many different FRAs. The Authority is responsible for acquiring specialist appliances on behalf of the fire service on a national basis with costs reimbursed by the Home Office. This collaborative approach makes for an efficient joint use of assets, training and operational planning for aspects of the fire service that work better as a national deployment.

The Authority operates alongside key partners such as Merseyside police, local government and NHS bodies. A number of station facilities are shared in collaboration with Ambulance services and police which has enabled benefits to be generated by the parties from historic estate rationalisation and cost sharing. Collaboration is also a key feature of the Integrated Risk Management Plan in regard to strategic planning and providing a co-ordinated emergency response.

The Authority has an established arrangement to purchase services from Liverpool City Council for treasury management and internal audit functions. The rationale for this is that for the relatively modest level of service that the Authority requires it would not be cost effective to run them in house and employ the specialists these services require.

Conclusion

Our review of the Authority has revealed no evidence of significant weakness in their arrangements for improving the way the service is delivered. Procurement arrangements continue to operate in line with previous years and are aligned with national programmes. Performance monitoring is sufficiently aligned to the aspirations of the Authority and is supported by coherent and effective performance monitoring arrangements. The Authority is part of a network of partnerships that are directed towards strategic development and enabling service delivery, including collaboration with other blue light agencies such as Merseyside Police and North West Ambulance Service (NWAS). In keeping with the other themes under review, we found no grounds to make improvement recommendations in regard to improving economy, efficiency and effectiveness.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Ensure that any and all contracts managed by third parties have been identified and recorded as such. Regularly monitor all contracts third parties manage to ensure they are still effective and represent value for money to the Authority.	Key	September 2022	The Authority has already reviewed such contracts and added them to the contracts register to ensure MFRA Officers are involved in any future procurement arrangements and that a new contract is in place before existing contracts end. To evidence the new arrangement, a copy of report CFO/040/022 approved by members on 1st September, ratified the contract for the supply of electricity and gas up to 31st March 2025, has been shared with Grant Thornton.	Yes.	No.

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
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 are finalising our audit work and intent to issue an unqualified opinion on the Authority's financial statements

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

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
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 make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
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 make an application 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 any advisory notices.
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 make an application for judicial review.

Appendices

Appendix A: Responsibilities of the Authority

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

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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the 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 – 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 Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	9
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 Council. We have defined these recommendations as 'key recommendations'.	No	-
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	No	-

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