

Enquiries: Mrs J Head
Telephone: 01768 217734

Our reference: JAC/jh

Date: 19 February 2025

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT COMMITTEE

CUMBRIA COMMISSIONER FIRE & RESCUE AUTHORITY - JOINT AUDIT COMMITTEE

A Meeting of the Joint Audit Committee will take place on **Wednesday 26th March 2025** in **Conference Room 1, Police HQ, Penrith** at **11:00 am** and **The Community Room, Fire HQ Penrith**, at **1.30 pm**.

Times	Activity	Location
09:00 – 10:00	Development Session – Treasury Management Update (Link)	Conference Room 1, Police HQ Penrith
10:00-10:45	JAC Members private meeting	Conference Room 1, Police HQ Penrith
11:00-12:30	JAC Meeting – PFCC/Constabulary	Conference Room 1, Police HQ Penrith
12:30-13:30	Lunch Break	Conference Room 1, Police HQ Penrith
13:30-15:00	JAC Meeting – Fire	Community Room, Fire HQ Penrith
15:15-16:30	Development Session – Budget Briefing	Community Room, Fire HQ Penrith
16:30 – 17:00	JAC Discussion with CFOs re 360° Action Plan	Community Room, Fire HQ Penrith

Gill Shearer
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors' Car Park at the Police HQ.

Note: If members of the public wish to participate in this meeting please contact Mrs Head via email – commissioner@cumbria-pcc-gov.uk by 21 March 2025 for an invitation.

COMMITTEE MEMBERSHIP

Mrs Fiona Moore (Chair)

Mr Malcolm Iredale

Wing Commander (Retired) Tim Mann

Mr Jake Cornthwaite

Mr Mike Roper

Mrs Susan Giles

Mr John Barradell

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AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

Note – Items to be considered by exception, it is assumed that members will have read all papers before the meeting.

Agenda Item	Page Number	Agenda Item	Officer/Lead	Time (Est)
1		APOLOGIES FOR ABSENCE	Chair	13:30
2		<p>URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC</p> <p>To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.</p>	Chair	13:30
3		<p>DISCLOSURE OF PERSONAL INTERESTS</p> <p>Members are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.</p>	Chair	13:30
4	7	<p>MINUTES OF MEETING AND MATTERS ARISING</p> <p>To receive and approve the minutes of the committee meeting held on 6 February 2025.</p>	Chair	13:35
5	15	<p>ACTION SHEET</p> <p>To receive the action sheet from previous meetings.</p>	Chair	13:35
6	17 22	<p>CORPORATE UPDATE</p> <p>To receive a short briefing note on matters relevant to the remit of the Committee</p> <p style="margin-left: 20px;">a) Fire & Rescue Service b) PFCC and CFRA</p>	Chief Fire Officer Chief Executive & Chief Finance Officer	13:40

7	24	INTERNAL AUDIT PROGRESS REPORT To receive the Summary Internal Controls Assurance Report for 2024/25.	Director of Audit TIAA Ltd	13:50
8	30	INTERNAL AUDIT REPORT(S) To receive reports from the Internal Auditors in respect of specific Cumbria Fire and Rescue Service audits conducted since the last meeting of the committee. <i>(a) Key Financial Controls</i> <i>(b) Bullying, Harassment & Discrimination – defer to next meeting</i> <i>(c) Follow Up – defer to next meeting</i>	Director of Audit TIAA Ltd	14:00
9		MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS To receive an updated summary of actions implemented in response to audit and inspection recommendations DEFERRED TO NEXT MEETING	Director of Audit TIAA Ltd	14:10
10	40	PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To include the arrangements for quality assurance and improvement. To also include the internal audit charter.	Regional Assurance Director and the Engagement Manager MIAA Ltd	14:20
11	60	EXTERNAL AUDIT PROGRESS REPORT To receive a progress report from the external auditors	Audit Manager Grant Thornton	14:30
12	79	TREASURY MANAGEMENT STRATEGY STATEMENT AND TREASURY MANAGEMENT PRACTICES: To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices.	CCFRA CFO	14:40
13	109	TREASURY MANagements ACTIVITIES & ANNUAL REPORT To receive for information reports on Treasury Management Activity - Quarters 3 for CFRS.	CFRA CFO	14:45
14	114	ANNUAL REVIEW OF GOVERNANCE: To review the CFRS arrangements for governance; cyclical review over three years.	CFRS	14:50
	269	<ul style="list-style-type: none"> Scheme of Delegation 		
15	282	STRATEGIC RISK REGISTER To consider the strategic risk registers as part of the risk management strategy.	CFRS	15:00

16	287	JAC ANNUAL WORK PROGRAMME: ASSURANCE FORMAT To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference	CCFRA	15:05
17		POINTS FOR CONSIDERATION BY THE COMMISSIONER, AND THE CHIEF FIRE OFFICER		15:10

Future JAC Meeting Dates (For Information)

25th June 2025 @ 11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

24th September 2025 @ 11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

26th November 2025 @ 11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

25th March 2026 @11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

Future Police, Fire and Crime Panel Meeting Dates (For Information)

31st January 2025 - Committee Room 1, County Hall, Kendal

4th April 2025 – Banqueting Hall, Town Hall, Duke Street, Barrow in Furness, LA14 2LD

23 July 2025 – venue to be confirmed

13 October 2025 – venue to be confirmed

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Agenda Item No 04

CUMBRIA POLICE, FIRE & CRIME COMMISSIONER, AND CUMBRIA FIRE & RESCUE SERVICE – JOINT AUDIT COMMITTEE

Minutes of a meeting of the Joint Audit Committee (Fire) held on Tuesday 4 February 2025, in the Community Room, Fire HQ, Penrith, at 2.00 pm.

PRESENT

Mrs Fiona Moore (Chair)
Mr Malcolm Iredale
Wing Commander (Retired) Tim Mann
Mr Jake Cornthwaite
Mr Mike Roper

Mr John Barradale (Observer)
Ms Susan Giles (Observer)

Also present:

Office of the PFCC

OPFCC Chief Executive (OPFCC CEX), (Gill Shearer)
CCFRA Chief Finance Officer (CCFRA CFO), (Steven Tickner)
OPFCC Governance Manager (JH) (Joanne Head)

Cumbria Fire & Rescue Service

Chief Fire Officer - (Paul Hancock)
Head of Performance and Assurance (HPA), (Mark Clement)

Internal Audit

Director of Audit (DA), TIAA, (Martin Ritchie)

External Audit

Audit Manager (AM), Grant Thornton LLP, (Hannah Foster)
Engagement Lead (EL), Grant Thornton LLP, (Michael Green)
Engagement Lead (EL), Grant Thornton LLP, (Liz Luddington)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

Mrs Fiona Moore called the meeting to order at 2.00 pm. She welcomed everyone to the meeting and asked everyone to introduce themselves.

34. APOLOGIES FOR ABSENCE

No apologies for absence were received as all members were present.

35. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

There were no items of urgent business or exclusions of the press and public to be considered by the committee.

36. DISCLOSURE OF PERSONAL INTERESTS

Mr Mike Roper advised that in relation to agenda item number 11 as he was employed by Cumberland Council, he would not partake in any discussions relating to that organisation.

37. MINUTES OF MEETING AND MATTERS ARISING

The notes of previous meetings held Wednesday 25 September 2025 were previously circulated with the agenda.

In relation to agenda item 24 a member stated that the minutes did not reflect the wider work for Cumbria Fire and Rescue Service. Alternative wording was suggested and in line with this proposed change the minutes were agreed.

38. ACTION SHEET

An Action Sheet showing any actions discussed in the previous JAC meeting and the progress made was circulated to the members prior to the meeting. A member asked that the headings be updated to reflect the action and the comments section be changed to reflect the action that had been taken. The progress of a number of items were discussed.

Some of the items did not contain target dates and a member stressed the importance to enable the actions to be completed in a timely manner. These were now complete and the action sheet would be updated to reflect this.

39. CORPORATE UPDATE

(a) Cumbria Fire and Rescue Service

The Panel thanked Paul Hancock for the written update which had been provided to the Committee with the agenda. The Chair invited Paul Hancock to highlight anything further for the Committee.

On 31 January 2025, Paul Hancock, had been confirmed as the new Chief Fire Officer following a confirmatory hearing with the Police, Fire and Crime Panel. The members congratulated him on his recent appointment.

CFRS had attended a number of major incidents within the county over the past 3 months. All the crews had dealt with the situations in a professional manner and had received praise from the local communities. As many of these incidents were attended by 'on-call' firefighters the costs would be increased as they were not salaried but paid for the time that they worked.

A member asked whether the fire staff who attended these incidents were provided with welfare support afterwards. They were advised that all staff received a critical incident debrief the following day and that ongoing support was also provided.

Within the Government's financial settlement CFRS had been the worst service affected, receiving only 1% compared to other services resulting in further challenges for the 2025/26 budget and medium-term financial plan.

Currently there is no requirement for the fire and rescue service to play a role in road traffic accidents. The National Fire Chiefs Council (NFCC) were calling upon the Government to consult on expanding their responsibilities to reflect a wide range of prevention activities to be delivered by F&RS's. Members sought assurance that this work would be joint with police staff. The CFRS CFO advised that there was a strong road safety partnership network and that over the past 12 months the service had been active with partners enabling them to gain access to data and intelligence to assist them in their work.

The service was currently being inspected by HMICFRS carrying out Round 3 of their inspection looking at 11 key areas of enquiry. Feedback to the Commissioner and Chief Fire Officer would be provided in early March with the final report being published in May/June. It was agreed that if possible CFRS would provide some key headlines to the Committee's meeting at the end of March 2025.

ACTION: Key highlights from the HMICFRS inspection be provided to the JAC meeting in March 2025.

A member asked whether all the recommendations from the previous HMICFRS audit had been completed. The CFRS CFO advised that all the recommendations had been signed off during the past 12 months.

(b) Cumbria Police Fire and Crime Commissioner

In addition to the report provided to the Committee, the PFCC Chief Executive, Gill Shearer advised that the conclusion of the council tax precept survey had resulted in 63% of respondents supporting the proposed precept increase. The Commissioner had presented his proposed budget and precept increase to the Police, Fire and Crime Panel at the meeting on 31 January 2025 where it had received their approval.

The OPFCC CEX also updated the Committee on the transition of the police and fire estates work to the Commissioner to enable their vision to drive estates functionality and efficiency. From 1 April the police estates team would transfer to the OPFCC and become a joint estates team. A condition survey had been carried out of all police and fire properties to enable the development of a joint strategy. This would enable the two estates to be reviewed and a decision made on what footprint was required within communities to provide the best possible service.

The Commissioner's Executive Board (Working Together) would progress the collaboration agenda for both the estate but also for back-office functions and services. This would then feed into the savings and sustainability plan for the future. A number of services were currently provided to CFRS by council unitrees under service level agreements which in some areas was not providing the service required. The Commissioner was keen to move forward with collaboration agreements which would be sustainable and provide longer term stability.

40. REVIEW OF TERMS OF REFERENCE AND ROLE PROFILES

The CCFRA CFO presented the Committee's updated terms of reference and role profiles. These were reviewed on a triannual basis and had been updated to reflect the new PFCC logo and the move of CFRS to the Commissioner.

ACTION: the revised terms of reference and role profiles were approved.

41. INTERNAL AUDIT PROGRESS REPORT

MR of TIAA provided an update on the summary controls assurance advising that several audits had now been completed and they were back on track to complete their work within the financial year. He thanked staff for engaging with the audits and enable the work to be completed. Field work was still ongoing for one audit and two further audits were due to be commenced in mid-February.

42. INTERNAL AUDIT REPORTS

(a) Strategic Governance

This audit had been carried forward from the previous year and reasonable assurance with four recommendations were identified as important. It was recognised that this reflected that the new governance structure was still developing.

In relation to recommendation 6 a member felt that the management comments did not reflect the actions being taken by CFRS against the recommendation. The CFRS CFO assured the members that progress had been made with the governance within the senior leadership team meetings and tighter controls had been introduced regarding decisions, meetings and actions. It was felt that a schematic of the Scheme of Delegation would be too complex and that text would be easy to follow to deliver what was required.

MR of TIAA advised that a follow up of the outcome of the actions would be carried out and be reported to the next meeting.

ACTION: Follow up report to be provided to the March 2025 meeting.

(b) Learning and Development

The Internal Audit had concluded a substantial assurance with three routine recommendations being made. A member noticed that for one of the recommendations CFRS had not agreed and MR of TIAA advised that these were only recommendations and the service was not mandated to accept them.

The CFRS CFO advised that previously the Workforce Group had looked at training needs for critical issues such as trauma care or working at height rather than other areas such as leadership development. These areas of training would feature in the 2025/26 training plan.

A member asked how training was identified following national incidents or changes in working practices. All learning from public enquiries and significant incidents were held by London where gap analysis would be carried out to identify and reflect national changes. This work would then be fed back to the National Fire Chiefs Council (NFCC) and disseminated nationally. The National Fire Standards Board had an independent chair and links to the NFCC which would identify best practice and standards for the fire and rescue service. As part of their audits HMICFRS would look at how the service introduced the national fire standards and guidance.

(c) Prevention and Protection

The audit had concluded with a substantial assurance and no recommendations for this area of business. During the last inspection there had been a number of areas for improvement and work had been carried out during the year to make the necessary improvements.

A discussion was held in relation to virtual security and members were assured that this was being monitored and was detailed within their risk registers.

(d) Performance Management

Following completion of the audit reasonable assurance had been awarded with three important recommendations being made.

The HPA assured members that the Head of Assurance was actively monitoring risks and wording within each project would make reference to it.

(e) Recruitment and Retention

The audit had concluded a final grading of reasonable assurance and made four important recommendations.

A discussion took place on the local authority previously undertaking the recruitment processes and what the current process was with the internal HR team. The CFRS CFO advised that with some new vacancies the service would be looking at departmental requirements and what future collaboration with the OPFCC and police would also look like. A new People Strategy had been developed and work was ongoing to re-structure and develop the workforce.

ACTION: The OPFCC CEX to ensure progress is made at the Working Together meetings.

43. AUDITOR'S ANNUAL REPORT 2023/24

EL from Grant Thornton guided members through the Auditor's Annual Report for the year ended 31 March 2024 and briefed them on the rationale for the audit. A number of recommendations had been made and Grant Thornton would work with the service and their providers on solutions to the issues raised.

ACTION: The OPFCC CEX to write to service providers and ask for official response on planned course of action.

ACTION: The CCFRA CFO to provide an update to the June meeting.

Due to the number of recommendations and actions a member raised concerns regarding teams capacity and capability if specialist resources were required. The CCFRA CFO advised that the deadline was September 2024 and that the service would be looking to identify solutions following the HMICFRS audit and utilising the information contained within the Auditor's report.

44. CONCLUSION OF THE AUDIT FOR 2023/24

EL from Grant Thornton advised that the accounts had been published on 15 January 2025 for the required 30-day period. This meant that they would not be able to conclude their audit until the end of February whilst they were public and meant they would not be able to give assurance. This meant that the 2024/25 accounts would be qualified as there would be no opening assurance or reliance on the opening figures from 2023/24 which would have a knock on effect for further years due to the lack of assurance. Members were informed that many local authorities were in a similar position.

45. LETTER OF REPRESENTATION FOR 2023/24

Grant Thornton had issued a letter in connection with the audit of the financial statements of CCFRA for the year ended 31 March 2024.

46. ANNUAL GOVERNANCE STATEMENT

The CCFRA CFO guided members through the 2023/24 annual governance statement which replicated the same format used by the OPFCC. It evidenced how CCFRA had met the key principles and any improvements would form the basis of the action plans

going forward.

47. ANNUAL STATEMENT OF ACCOUNTS

The annual accounts had been published on 15 January 2025 and the public inspection notice was live until 28 February 2025. The final version would be amended to reflect the opinion of Grant Thornton and be published as required on 28th February 2025.

The OPFCC CEX wanted to acknowledge all the work with the CCFRA CFO had carried out to enable the accounts to be produced.

ACTION: CCFRA CFO to remove reference to operation uplift in the final version.

48. TREASURY MANAGEMENT ACTIVITIES

The CCFRA CFO presented the Treasury Management Activity Report for Quarter 2 for CFRS. It was noted that the investment interest forecast was higher during the year due to monies being paid to CFRS for the pension remedy scheme which had not been paid out at that time.

There were no issues raised in relation to the report.

49. POINTS FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF FIRE OFFICER

The members asked that the issues raised by Grant Thornton's Engagement Lead be brought to the attention of the Commissioner. The OPFCC CEX agreed to raise the matter at the next Executive Board (Fire) meeting and capture the discussions and conclusions in the minutes. This would then inform and strengthen the letter being sent to providers.

ACTION:

Meeting ended at 15:35 hrs.

Signature _____ **Date** _____

Future JAC Meeting Dates (For Information)

26th March 2025 @ 11.00–Police HQ Conference Room 1 and The Community Room, Fire HQ Penrith

25th June 2025 @ 11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

24th September 2025 @ 11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

26th November 2025 @ 11:00– Police HQ Conference Room 1 and Fire HQ Penrith

25th March 2026 @11:00 – Police HQ Conference Room 1 and Fire HQ Penrith

Future Police, Fire and Crime Panel Meeting Dates (For Information)

4th April 2025 – Banqueting Hall, Town Hall, Duke Street, Barrow in Furness, LA14 2LD

23 July 2025 – venue to be confirmed

13 October 2025 – venue to be confirmed

Joint Audit Committee – Action Update and Plan (Fire)

Completed

Ongoing within Original Timescale

Ongoing with original timescale extended

Overdue

Agenda Item No 05

Minute Item	Item and Action to be Taken	Person responsible	Target Date	Action Taken	Status
DATE OF MEETING: 26 June 2024					
11	Proposed Internal Audit Plan / Internal Audit Charter	TIAA Ltd	November 2024	The recovery plan and updated audit plan be circulated to the Committee for comment prior to approval by the Chair out with a committee meeting.	Completed
DATE OF MEETING: 26 September 2024					
24	Corporate Update	CCFRA CFO	May 2025	A presentation to be provided to the Panel regarding high rise buildings in Cumbria and how CFRS would respond to fires at them. Presentation to be provided at the March 2025 Meeting	Completed
25	Internal Audit Annual Report 2023/24	TIAA Ltd	February 2025	A revised version of the annual report to be circulated to the Committee	Completed
DATE OF MEETING: 4 February 2025					
39	CFRS Corporate Update – key highlights from the inspection to be provided to the March meeting.	CFRS Chief Fire Officer	26 March 2025	Update provided in Corporate update, and detailed update to be provided on publication of final report Circa July 2025	Ongoing within original timescale
42a	IA Strategic Governance Report – follow up of the outcome of the actions would be carried out and be reported to the next meeting	TIAA Ltd	26 March 2025		
42e	IA Recruitment & Retention – OPFCC CEX to ensure progress on recruitment is made at the Working Together meetings.	OPFCC CFO	24 March 2025		

Joint Audit Committee – Action Update and Plan (Fire)

Minute Item	Item and Action to be Taken	Person responsible	Target Date	Action Taken	Status
43	Auditors Annual Report 2023/24 – OPFCC CEX to write to service providers and ask for an official response on the planned course of action CCFRA CFO to provide an update to the June Meeting	OPFCC CEX CCFRA CFO	June 2025		
47	Annual Statement of Accounts – reference to operation uplift to be removed from final version	CCFRA CFO	March 2025		Completed



Cumbria Fire and Rescue Service

Joint Audit Committee

TITLE:	Corporate Update – CFRS
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DATE OF MEETING:	26 March 2025
REPORT OF:	Paul Hancock, Chief Fire Officer
REPORT ITEM:	6a

1 Purpose of Report

To provide an overview of recent local and national issues affecting Cumbria Fire and Rescue Service (CFRS).

2 Local Issues

2.1 Professional Standards Board

A Professional Standards Board has been established to provide oversight of HR casework to comply with recommendations in HMICFRS' Standards of Behaviour Report, August 2024.

The Professional Standards Board comprises the following members:

- Chair: Chief Fire Officer.
- External Representative: A professional - external to the service - provides independent perspective and advice.
- HR Lead: HR Manager (shared role) responsible for ensuring alignment with service policies, procedures and best practice.
- Employee Well-being Officer: A designated officer responsible for aligning casework with well-being and mental health initiatives.

The board has agreed terms of reference and meets bi-monthly. The board reports on actions from previous meetings, reviews casework, identifies lessons

learned and areas for improvement, and ensures, where appropriate, referral to well-being and/or mental health support/initiatives.

2.2 His Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS)

The round 3 inspection process has recently concluded, with the principal officer team (CFO and ACFOs) due to receive a debrief from HMICFRS on 28 March 2025.

The ten-week inspection programme ran smoothly and involved reality testing, focus groups, a high-rise exercise and a large number of interviews with a wide range of staff. During the process the inspection team commented on the willingness of staff to discuss issues with them and the friendly atmosphere.

A detailed report will be made available to the committee when the final report is published. To date, there have been no themes that the service is unaware of and no risk critical causes for concern.

2.3 Operational Fire Cover Review (OFCR)

The service has recently commissioned ORH to carry out an OFCR. This is a process used to assess and manage the deployment of resources and operational capacity. It involves evaluating the coverage and effectiveness of fire and rescue service operations in various areas ensuring that resources, personnel and equipment are available to respond to emergencies.

The review will consider several factors, including:

- **Resource Allocation:** Assessing whether fire stations and fire engines are appropriately staffed and equipped to handle emergencies within their service area.
- **Response Times:** Evaluating how quickly fire and rescue services can respond to incidents in different geographical locations and whether improvements are needed.
- **Risk Assessment:** Identifying high-risk areas (e.g. industrial zones, densely populated areas, or areas with challenging terrain) and determining if additional resources or specialised units are needed.
- **Future Planning:** Based on the review, it can also involve planning for future needs of the service such as upgrading equipment, training or establishing new stations to ensure coverage as demand grows or shifts.

3 National Issues

3.1 Climate Change and Preparedness

Fire and rescue service leaders have raised concerns about the UK's readiness to handle the increasing frequency of climate-induced emergencies such as floods, heatwaves and storms. The National Fire Chiefs Council (NFCC) emphasises the necessity for enhanced investment in resources and long-term forecasting to manage these challenges effectively.

3.2 Wildfire Management

The increasing frequency of wildfires has prompted significant attention. Scotland faced a "very high risk" of wildfires in early March 2025, leading to public advisories to prevent outdoor fires. In response to the growing threat, the government has proposed appointing a National Resilience Wildfire Adviser to enhance national capabilities and improve coordination among various sectors.

3.3 Change in Machinery of Government

It has been confirmed that from 1 April 2025 the fire and rescue service will come under the purview of MHCLG. Responsibility for HMICFRS and the national radio system (Airwave) will remain with the Home Office.

3.4 Importance of On-Call Firefighters

The National Fire Chiefs Council (NFCC) has launched a new set of webpages dedicated to exploring the on-call firefighter role. The NFCC is aiming to broaden awareness, improve accessibility and encourage a more diverse range of people to consider a role in the fire and rescue service.

The webpages provide clear, practical guidance on what on-call firefighters do, how to apply and what prospective firefighters can expect from the role. As fire and rescue services work towards becoming more representative of the communities they serve, the NFCC is emphasising the importance of diversity, inclusion and accessibility in recruitment efforts.

4.1 Delivery of Grenfell Tower Inquiry recommendations

The Grenfell Tower Inquiry has significant implications for fire and rescue services, particularly in the areas shown below.

Training and Preparedness

- Fire and rescue services must improve training for handling high-rise fires, particularly involving complex building structures and external cladding.
- Enhanced risk assessment training to identify potential hazards more effectively.

- Improved training for incident commanders to make critical decisions during emergencies.

Operational Procedures

- Revisiting the “Stay Put” policy: Fire and rescue services are encouraged to develop flexible evacuation strategies for high-rise buildings when a “Stay Put” policy is no longer viable.
- Establishing new evacuation guidelines, including partial and total evacuations for high-rise residential buildings.
- Ensuring regular inspections and maintenance of fire safety equipment, such as lifts designated for firefighting use.

Communication Improvements

- Improving communication systems between control rooms and on-site incident commanders.
- Creating dedicated communications channels for emergencies to enhance efficiency.
- Better coordination between fire and rescue services and other emergency responders during large-scale incidents.

Inspections and Record-Keeping

- Fire and rescue services are now expected to conduct more thorough and regular inspections of high-rise residential buildings.
- Maintaining detailed building safety records, including information about materials used in construction and modifications.

Equipment and Resources

- Upgrading firefighting equipment to handle complex high-rise fires more effectively.
- Improvements in data transmission and aerial reconnaissance tools such as National Police Air Service (NPAS) helicopters.

Accountability and Reporting

- Increased accountability for fire and rescue services, especially regarding training and preparation for high-rise fire scenarios.
- Enhanced requirements for public reporting and transparency including publishing inspection results and safety audits.

The inquiry has made it clear that fire and rescue services must be better prepared, better trained and better equipped to deal with high-rise fires. It has also placed a strong emphasis on improving communication and ensuring safety standards are strictly followed.

Cumbria Fire and Rescue Service Response

In response to the Grenfell Tower Inquiry's recommendations, Cumbria Fire and Rescue Service (CFRS) has taken several proactive measures to enhance fire safety in high-rise residential buildings:

Collaboration with North West Fire Services: CFRS has partnered with fire and rescue services in the North West to improve fire safety standards. This collaboration has led to the development of resources aimed at assisting responsible persons in managing building compliance and educating residents on fire safety protocols.

Implementation of Fire Safety (England) Regulations 2022: Following the introduction of these regulations on 23 January 2023, which enacted many of the Grenfell Inquiry's Phase 1 recommendations, CFRS has worked diligently to support compliance. Efforts include engaging with councils, housing associations and managing agents, as well as producing guidance materials to facilitate fault reporting and monthly safety checks.

High-Rise Building Assessments: CFRS has conducted thorough fire safety audits of all identified high-rise residential buildings in Cumbria ensuring relevant risk information is accessible to prevention, protection and response teams. Notably, Cumbria has four high-rise residential buildings, all of which have been assessed.

Public Engagement and Resources: To enhance residents' awareness and safety, CFRS has developed video resources and other materials to inform residents about fire safety measures and procedures in high-rise buildings. These resources aim to reduce fire risks and ensure residents feel secure in their homes.

These initiatives demonstrate CFRS's commitment to implementing the Grenfell Tower Inquiry's recommendations and ensuring the safety of residents in high-rise buildings across Cumbria.

Paul Hancock

Chief Fire Officer



Cumbria Commissioner Fire and Rescue Authority

Joint Audit Committee

TITLE:	Corporate Update – PFCC and CCFRA
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DATE OF MEETING:	26 March 2025
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REPORT OF:	The Chief Finance Officer
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REPORT ITEM:	6b
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Executive Summary:

The attached report provides a corporate update from the PFCC and CCFRA.

Recommendations:

JAC is **RECOMMENDED** to:

- a. Note the update as provided.

1.0 2025/26 Budget Setting

- 1.1 The budget for 2025/26 and MTFF to 2029/30 was approved by the Commissioner at a special meeting of the Public Accountability Conference on 13/02/2025. CCFRA have set a balanced budget for 2025/26 with small contributions to reserves from 2026/27 onwards. Joint Audit Committee members will receive an overview of the budget as part of the development session following the committee meeting on 26/03/25.

2.0 Statutory Audit of Accounts

- 2.1 2023/24 - The external auditor (Michael Green, Grant Thornton) issued his audit opinion on the 2023/24 statement of accounts on 27/02/2025. The accounts have now been published on the respective websites in accordance with regulations.
- 2.2 2024/25 – The auditors are currently undertaking interim audit work and planning in relation to the audit of the 2024/25 financial statements. The deadline for the publication of the draft statement of accounts for 2024/25 is 30/06/25, with the latest publication date for the audited statement of accounts being 27/02/26. It is our intention to have the draft statement of accounts substantially completed by 31/05/25 and for these to be issued to members for their meeting on 25/06/25.

3.0 2024/25 Budget Monitoring

- 3.1 The quarter 3 revenue budget position as at 30th December for CCFRA reported a forecast overspend of £487k which represents 1.75% of the budget. This is largely because of one-off costs associated with ill health and injury retirement.

4.0 Internal Audit Contract Tender

- 4.1 The process to transition to the new internal audit provider Mersey Internal Audit Agency (MIAA) is well underway. The agenda today contains the MIAA proposed internal audit plan for 2025/26.

5.0 Devolution

- 5.1 Cumbria is to be one of six areas chosen to progress a devolution deal with an elected Mayor from May 2026. Initial conversations have been held with the two unitary authorities about how this will work and how it will impact on Policing and Fire. These discussions are at an early stage, but further information will be provided in due course.

Steven Tickner
CCFRA Chief Finance Officer

Gill Shearer
Chief Executive



Cumbria Fire and Rescue Service

Summary Internal Controls Assurance (SICA) Report

March 2025

Final



Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Joint Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at the Cumbria Fire and Rescue Service as at 13th March 2025.

Investing in the Future of TIAA

2. TIAA welcomed our largest intake of talented and enthusiastic trainees in the summer across the UK. This initiative is a testament to our dedication to nurturing the next generation of professionals and ensuring that we continue to deliver the highest standards of service to you. This builds on past successes where staff who joined TIAA as trainees have obtained professional qualifications and progressed to audit management roles.

We believe that investing in their development is crucial not only for their personal growth but also for the continued success of TIAA. To this end, we are sponsoring their professional qualifications, providing them with the necessary resources and support to excel in the internal audit profession and any relevant specialism they may choose.

With each trainee mentored by an experienced Director of Audit, we have re-designed a comprehensive training programme that covers a wide range of skills and knowledge areas. All trainees have been guided by experienced audit staff and management, shadowing on audits to get to know our client base, following a high standard already set by our experienced team.

By investing in our trainees, we are investing in the future of our company. We are confident that this initiative will enhance our capabilities. Our commitment to the quality of our services remains unwavering, and we are excited about the positive impact our new trainees will have on our work with you.

Audits completed since the last SICA report to the Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Joint Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Key Financial Controls	Substantial	28/02/2025	11/03/2025	13/03/2025	-	-	-	2

4. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2024/2025 Annual Plan

5. Our progress against the Annual Plan for 2024/25 is set out in Appendix A.

Changes to the Annual Plan 2024/25

6. There have been no changes made to the Annual Plan 2024/25.

Progress in actioning priority 1 recommendations

7. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. Our review of Key Financial Controls included a review of controls to mitigate against fraud risk and no issues were identified.

Frauds/Irregularities

8. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

9. We have issued a number of briefing notes and fraud digests, shown in Appendix B, since the previous SICA report.

Responsibility/Disclaimer

10. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Appendix A: Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Strategic Governance	Carried forward from 23/24	Completed	Final report issued
HR Recruitment and Retention	2	Completed	Final report issued
Performance Management	2	Completed	Final report issued
Learning and Development	3	Completed	Final report issued
Prevention and Protection	3	Completed	Final report issued
Key Financial Controls	4	Completed	Final report issued
Bullying, Harassment and Discrimination	4	Draft	Draft report issued 11/03/2025
Follow Up	4	Fieldwork ongoing	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
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Appendix B: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those briefings issued in the last three months which may be of relevance to the Cumbria Fire and Rescue Service is given below:

Summary of recent Client Briefings and Alerts

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
245 th February 2025	All	Social	Eco SMART	https://www.linkedin.com/feed/update/urn:li:activity:7299707157027958785	We're proud to be a B Corp, dedicated to balancing purpose and profit. Our new Eco SMART climate change maturity assessment tool is designed to help your business achieve Net Zero by identifying gaps and areas of improvement to meet goals in line with government expectations.
12 th February 2025	All	Social	Digital services at HFMA	https://www.linkedin.com/feed/update/urn:li:activity:7295397732175826944	Discover innovative solutions to digital challenges in the public sector and learn how to strengthen your organisation's assurance.
10 th February 2025	All	Service and Social	Eco SMART	https://www.linkedin.com/feed/update/urn:li:activity:7294718487967465472 Eco SMART - TIAA	Our Sustainability specialists will evaluate your Net Zero road map, identify gaps, and provide actionable steps to meet government expectations.
4 th February 2025	All	Newsletter	Security Focus	Security Focus Newsletter Edition 9 - TIAA	The 9th edition of TIAA's Security Focus Newsletter.

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
31 st JANUARY 2025	ALL	Anti-Crime Alert	Falsified Timesheets and Expenses	Falsified Timesheets and Expenses - TIAA	The NHS Counter Fraud Authority (NHS CFA) has reported an increased number of allegations relating to falsifying timesheets and expenses.



Cumbria Fire and Rescue

Assurance Review of Key Financial Controls

March 2025

Final



Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Reduction in the likelihood of risk of financial mismanagement, fraud, and non-compliance.

SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place for managing the following key financial systems: Budgetary Control; Creditor Payments; Payroll; Debtors; and General Ledger.

KEY STRATEGIC FINDINGS



The Service actively monitors both current and historical financial trends to inform budget planning. By analysing past expenditure patterns and financial performance, lessons learned are also integrated into the planning cycle.



Prior to the procedural change in early 2024, financial journals could be created and authorised by the same individual, increasing the risk of errors or fraud. A focused review of high-value and high-risk transactions from that period has been recommended.



A recurring £12 variance in bank reconciliations has been identified but remains unresolved due to resource constraints. The Service is aware of the issue and comfortable with the risk due to low levels of materiality, it remains outstanding.

GOOD PRACTICE IDENTIFIED



The Fire Pensions Single Monthly Payments Procedure includes clear documentation, step-by-step guidance, and independent audit checks. Higher-value transactions require two distinct authorisers, preventing single-person control.



Budget holders receive financial training and must complete monthly budget monitoring, reporting figures to senior leadership. Additionally, financial awareness training helps ensure compliance and effective budget management.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	2

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No recommendations were identified during the audit.							

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	There is a documented procedure in place for completing a Pensions payroll run. The process includes pre-payment checks, such as verifying credit notes and addressing exceptions, followed by the generation and review of payment reports to ensure all transactions are reasonable. Payment authorisation involves obtaining approvals from designated personnel, with all documentation saved and retained for audit purposes. Finally, the confirmation of the BACS file values and number of transactions is confirmed back to LPPA who process the BACS file on their behalf. It was noted in the report that named individuals are listed within the procedure and it would be better suited to adjust this to their job titles in the event they leave the organisation.	Consideration be made to removing names from policy/procedures and replace with job titles to avoid outdated information.	<i>The key information is the Job Title however Names have been retained in the procedure for information only to aid staff awareness. (Implemented 01/01/25)</i>
2	Directed	Financial journals prior to the change in procedure at the start of 2024 could be created and authorised by the same person. This has since been changed and now a second person must authorise the journal, however given that prior to this recent change there was not suitable segregation of duty it is recommended to conduct a focused review by sampling high monetary value and high-risk transactions, such as those in accounts payable and manual journal entries, to identify potential errors or irregularities that may have occurred under the previous process. The internal audit did not identify any issues in sample testing, but further review would give greater assurance.	Consideration be given to conducting a sampling exercise on high value or high-risk transactions prior to procedure change to ensure journals created and authorised by the same individual have been completed correctly.	<i>Report will be extracted from Civica for the whole 2024/25 year to show journal transactions (including which user input vs authorised) a sample of high value transactions where there is no segregation between the 2 roles will be spot checked – these are expected to be system transactions in the main. (Completed by 31/03/2025)</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
James Back	Senior Auditor	James.Back@tiaa.co.uk	07814581890
Martin Ritchie	Director of Audit	Martin.Ritchie@tiaa.co.uk	07717746714

CFRS Staff	Title
Steven Ticker	CCFRA Chief Finance Officer
Lucy Taylor	Financial Accountant

Exit Meeting Date	10/02/2025
Attendees	Lucy Taylor
SLT Lead Sponsor Comment	I welcome the findings of this audit report and particularly given the difficulties encountered with financial systems since disaggregation from the Council. The findings of this report justify the decision to move to our own finance system and I am satisfied that this audit gives the assurance the change in systems has gone smoothly.
Chief Fire Officer Comment	I welcome the report and the findings and welcome the assurance rating.
Considered for Risk Escalation	N/A

Findings





Directed Risk:


Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	1, & 2
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings











- 

The Service's Joint Financial Regulations document which was last approved in November 2024. The document outlines the Service's position on financial management frameworks, financial planning and control and management of risks and resources. The Financial Regulations forms part of the Joint Corporate Governance Framework. The document is held on the Police, Fire and Crime Commissioner's website; however, it was identified that this currently is not accessible due to a 404 error which the Service has no control over but has been flagged to the Commissioner's Office.
- 






The Financial Regulations document provides a formal policy for budget preparation, approval, and revision, ensuring resources are used effectively and accounted for. It also outlines processes for creating budgets, monitoring expenditures, managing variances, and revising allocations through a controlled virement system. Accountability is emphasised, with designated budget holders responsible for their allocations, supported by reporting and escalation procedures. Year-end processes address underspends and overspends, directing financial discipline and in line with strategic priorities.
- 

The Service, having recently split from Cumbria County Council in 2023, continues to actively monitor both current and historical trends. This analysis plays a role in the planning process; by evaluating past financial performance and expenditure patterns, the Service identifies lessons learned. These findings are integrated into the planning cycle to develop realistic and informed budgets for the next financial year.

Other Findings

-  Assumptions such as funding limits, conditions, and rules of virement are documented, and the process involves reviewing changes or variances to ensure that they are in line with approved priorities of the Organisation.
-  The Service has a Scheme of Delegation in place which demonstrate that expenditure above certain limits must be authorised by designated officers or bodies. Thresholds for stock write-offs, obsolete stock disposals, income write-offs, and procurement processes require escalation to higher authorities when financial limits are exceeded. For instance, write-offs exceeding £5,000 for individual items or £15,000 annually must be referred to the Office of the Police and Fire Commissioner CFO, and disposals above £250,000 require Commissioner approval.
-  Budget holders receive training and financial support to enable them to carry out their budgetary control responsibilities to help ensure proper compliance and minimising errors. In 2024 the Service delivered a training presentation on MTFP and Budget 2024/25 on how the budgets are set within the sector as well as the legal requirements. In addition to this there is financial awareness training provided to staff which includes learning on areas such as public sector budgets.
-  Budgets are reviewed and approved prior to the start of the financial year. The Service provided evidence of the draft budget for 2025/26 through to 2029/30 which was presented to the Senior Leadership Team and Executive Board in November 2024 for approval.
-  The system automatically records the creator and authoriser of financial journals, as evidenced by a report covering October 2024 to December 2024. Discussions with one of the Finance Officers confirmed that journals created and authorised by Civica User are system-generated, coming from interfaces such as debtors, creditors, or automated cashbook. Journals created and authorised by the Finance Officers, are associated with transaction code GLREC, which are recode journals. These involve reallocating costs within the ledger without altering the transaction amount, and therefore, do not require additional authorisation. Additionally, they created and authorised certain journals not classified as recodes; these are posted directly from statement lines in the cashbook, and as they also do not involve altering amounts, they similarly do not require further authorisation. The Excel report provided confirmed that journals created and authorised by different individuals were recorded outside these specific scenarios.
-  The payroll procedure is documented within the Fire Pensions Single Monthly Payments Procedure which outlines the process for single payments, step by step process, audit check, authorisation requirements and the main payroll run. The document contains clear guidance and screenshots which directs staff on the correct procedure. There is sufficient segregation of duty within the procedure, as checks and approvals are clearly separated. Audit checks are performed independently before payments are authorised, with two distinct authorisers required for higher-value transactions. This ensures no single individual has complete control over the process.
-  The Services procedure for issuing staff with a purchasing card is well documented and offers a step-by-step approach for staff issuing the cards. There are additional control options available when issuing a payment card to staff members that includes transaction limits, allowing cash withdrawals and merchant type exclusions to reduce the likelihood of misuse or errors. This procedure supports the overall Corporate Card Procedures for General Cards document which outlines the expectations from staff who hold a card.
-  Payroll reconciliations are being conducted monthly and collated quarterly as evidenced by the reconciliation schedule provided by the Service. The schedule includes records of main payroll figures, adjustments, deductions such as pension contributions, car lease payments and payments on account. Any variances are tracked monthly, with reconciliation of amounts due to or from Cumberland Council who do their payroll, culminating in quarterly summaries. This demonstrates that regular payroll reconciliation processes are in place and effectively monitored.
-  Within the Financial Regulations it outlines a formal approval process for budget reallocations and amendments, including approval by the Commissioner or CFO for changes exceeding £100,000. Reallocations that incur changes in policy or significant financial commitments also require approval from the Commissioner.
-  Sample testing of creditor payments confirmed each payment had a corresponding invoice that matched the payment run amount and had appropriate approval. No concerns were identified.

Other Findings

-  A sample of ten new starters was reviewed to confirm their correct inclusion in the payroll system and the accuracy of their first salary payment. Testing via screenshare confirmed that this was correct. The majority of the sample consisted of retained firefighters, who were appropriately paid 10% of the salary of a whole-time firefighter.
-  A review of staff leavers was conducted to ensure final payments were accurate and that they had been removed from the payroll system to prevent post-departure payments. The review confirmed that all sampled leavers were no longer included in the payroll run and that final payments accurately reflected their salary and days worked prior to leaving.
-  A sample of ten staff bank detail changes was tested to confirm that each request was made by the staff member and correctly processed. In all cases, the Service had evidence of the request and confirmation that the system was updated accordingly.
-  Testing was conducted on a sample of ten aged debtors to verify invoices and evidence of follow-up actions. It was confirmed that invoices were available for eight debtors. The two exceptions related to older debts transferred from the local council during disaggregation, for which no invoices were evidenced. However, each had documented payment agreements in place, which were confirmed to be active and adhered to.
-  A walkthrough of the bank reconciliations process on screenshare confirmed that the system is capable of comparing income with the bank totals as was evidenced on the walkthrough. It was highlighted during the call that there is a £12 variance each month which currently cannot be identified. However, this has been noted by the Service, and they have been aware of it for some time but have not had available resource to investigate and identify the variance yet. The Service is comfortable with the low level of risk at this stage until the variances is investigated and resolved.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-	-

Other Findings



Budget holders are expected to complete budget monitoring on a monthly basis and report figures to the Chief Fire Officer or Chief Executive depending on the scope of budget. Additionally, the budget performance is presented in the quarterly Financial Summary to the Police Executive Board. Examples of a monthly review were provided as part of the audit which fed into the quarterly financial summary report.



The Service provided the most recent Financial Summary to the Police Executive Board which was for data for Quarter 2 and presented in November 2024. The report contains a number of metrics including the Fire Service's revenue budget, capital budget, treasury management, subjective and objective analysis as well as key themes for the quarter. The key themes present commentary on areas such as overspend or pressure points. Quarter 2's themes were expenditure pressures, including unbudgeted employee costs, increased overtime, and higher transport and supplies expenses, partially offset by savings and vacancies. Key impacts included a £145k pressure for Retained Firefighter pay changes, overspends in service agreements, and unutilised borrowing costs, while income has benefited from additional grant income and higher treasury returns.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of Arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report:

Stage	Issued	Response Received
Audit Planning Memorandum:	19 th December 2024	6 th January 2025
Draft Report:	28 th February 2025	11 th March 2025
Final Report:	13 th March 2025	



Cumbria Fire and Rescue Service

Draft Internal Audit Plan 2025/2026

Contents

1. Executive Summary
2. Your Internal Audit and Solutions Service
3. Supporting you through Adding Value
4. Understanding Your Vision, Objectives & Risks
5. Internal Audit Risk Assessment
6. Internal Audit Plan On A Page
7. Operational Internal Audit Plan 2025/26

Appendix A: Strategic Three Year Internal Audit Plan

Appendix B: Internal Audit Key Performance Indicators

Your Internal Audit Team



Louise Cobain
Assurance Director
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Darrell Davies
Engagement Lead
07785 286381
Darrell.davies@miaa.nhs.uk



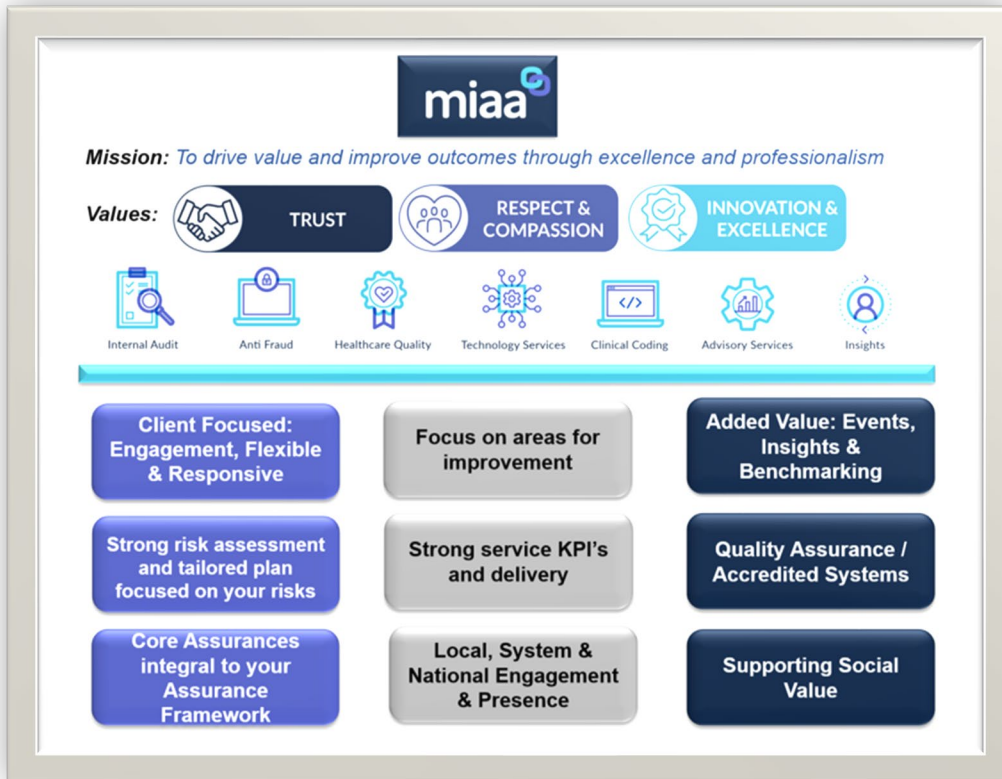
Fiona Hill
Engagement Manager
07825 592842
Fiona.hill@miaa.nhs.uk



1 Executive Summary

1.1 Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.



1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon the Fire and Rescue National Framework 2016, your Community Risk Management Plan 2024 – 2028, PFCC Fire Plan, Medium Term Financial Plan, previous audit plan coverage and analysis of risk. These are summarised in Appendix A.

1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your Risk Register. The draft plan is based on an initial risk assessment and provides indicative coverage for the organisation. The plan will remain flexible to allow for responses to emerging challenges that the organisation may face.

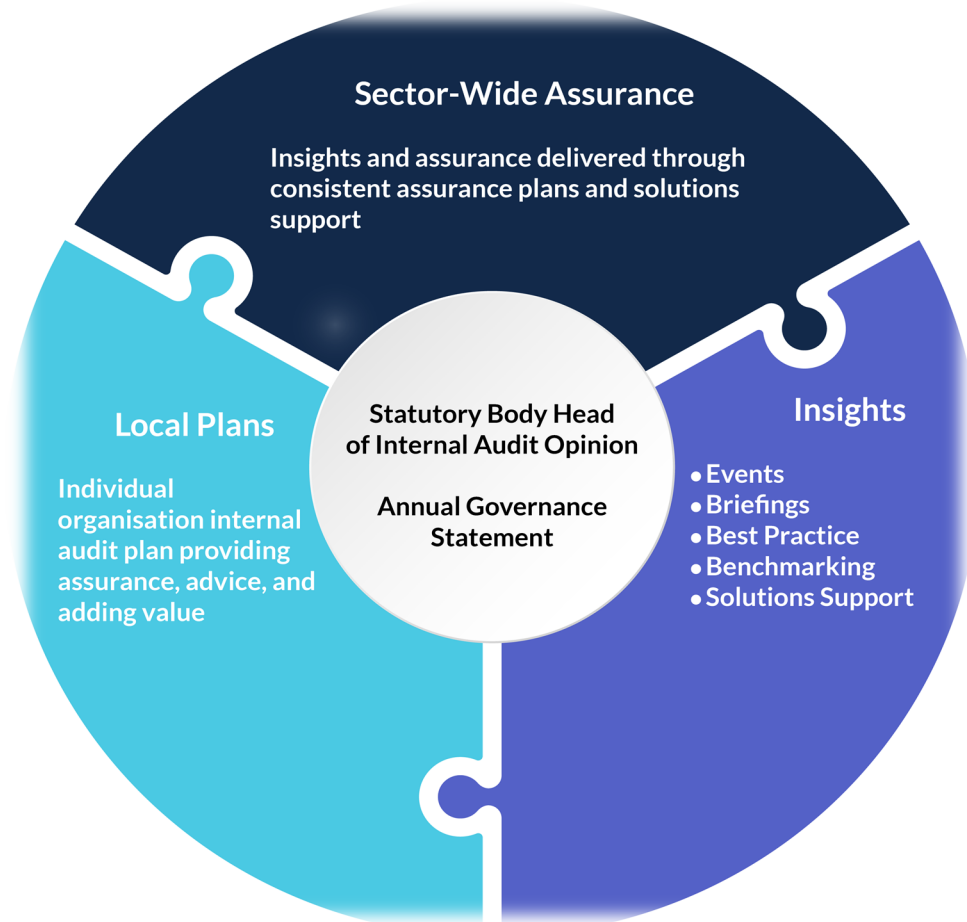
Your operational annual plan in Section 5 forms part of the organisation's three year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the organisation's key risks and challenges and adds value.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, briefings and events will be integral to your plan.



2 Your Assurance and Solutions Services



Internal Audit, Assurance and Solution Plans

The public sector landscape in England continues to change, and the impact of COVID-19, international and economic challenges are likely to be felt for many years to come.

Our vision is for MIAA to continue to be a Trusted Advisor through the retention of personalised, local focus and relationships with the added benefits provided by an at scale provider.

This is about MIAA continuing to build on its shared services capability to create a comprehensive offering, which provides insight, adds value and supports transformational change whilst operating efficiently.

MIAA continue to review and adapt our audit service and the way we provide assurance to meet your needs in the changing landscape.

This is about risk assessment at every level and regrouping audit plans and advisory commissions to support organisations and the wider system.



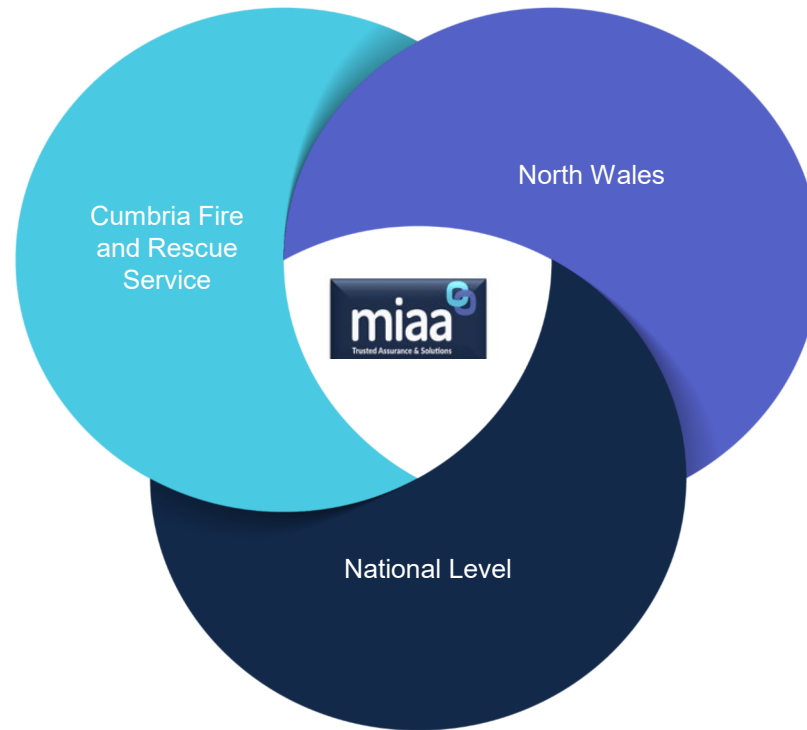
3 Supporting you through Adding Value

Insights & Benchmarking

- Topical Briefings
- Assurance Checklists
- Through the Audit Committee Lens
- Benchmarking, shared learning & best practice

Events, Groups & Networks

- TIAN: The Internal Audit Network
- GARNET: Governance, Assurance Risk Network
- Audit Chairs Forums
- Collaborative Masterclass Events
- Representation at local, regional and national level across range of networks & professional bodies



Specialist Services

- Included within the Core IA Plan:
 - ✓ Digital
 - ✓ Capital & Estates
 - ✓ Business Intelligence & Data Analytics
- Highly experienced, professional and qualified teams
- Extensive Solutions Consultancy service

Accreditations

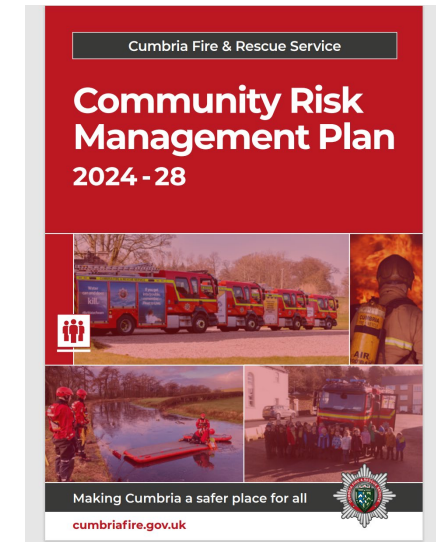




4 Understanding Your Vision, Objectives & Risks

Understanding Your Vision, Objectives and Risks

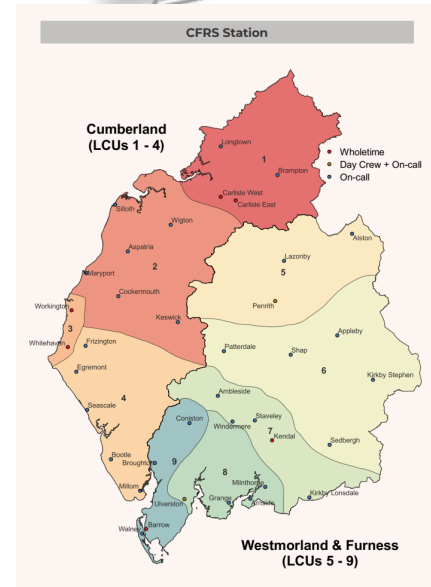
A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.



Assurance Built Around Your Risks

- *Cyber and IT resilience*
- *Delivery of the Community Risk Management Plan*
- *Collaboration and partnership*
- *Workforce*
- *Financial sustainability*
- *Environmental Sustainability and social value*

We map your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan (Appendix A). This is reviewed as part of the risk assessment process to ensure that the plan remains focused on the organisation's key risks and challenges and adds value.





5 Internal Audit Risk Assessment

The Cumbria Fire and Rescue Service internal audit plan is built from a risk assessment which has considered national and local system risks along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

The initial strategic risk assessment and internal audit risk assessment has considered:

- **Organisation intelligence** – including review of the PFCC Fire Plan, Community Risk Management Plan, Medium Term Financial Plan, Investment Strategy. Strategic Risk Register
- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Core assurance** – including core systems assurances, and Public Sector Internal Audit Standards requirements.
- **Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- **Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.





4 Internal Audit Plan on a Page

For Cumbria Fire and Rescue Service, this is the planning approach we will adopt:

Planning Approach

- Risk Assessment of the external environment, system and organisation.
- Engagement of Audit Committee, Senior Leadership Team.
- Coverage of Critical Business Systems to support organisation's objectives through the strategic internal audit plan.
- Provision of sufficient resources and expertise.
- Compliance with Public Sector Internal Audit Standards (PSIAS).

Your Plan

The outcome of your risk assessment is summarised below:

Organisational Reviews
Provision of assurances across core and risk based reviews

- Risk Management Core Controls
- Key Financial Systems
- Corporate Purchase Cards
- Partnerships & Collaboration
- Values, Health & Wellbeing
- Station Management Framework
- Cyber Security – Operational Controls

Follow Up and Contingency

Outcomes

Assignment assurance levels

Head of Internal Audit Opinion to inform the AGS

Added Value

Recommendations, advice & guidance to enhance the control environment

Insights through briefings, thought leadership events & benchmarking

MIAA contributions at local, system & national forums



7 Operational Internal Audit Plan 25/26

Review & Scope	Risk / Rationale	Planned Delivery	Lead
Prevention			
Risk Management Core Controls Evaluation of the effectiveness of the design of risk management arrangements .	HOIA requirement	Q4	Chief Fire Officer
Collaboration & Partnerships: A rolling programme to evaluate the effectiveness of systems to govern and performance manage collaboration arrangements, to assure value for money.	Risk Assessment	Q2	Chief Fire Officer
Protection			
Key Financial Systems: Annual evaluation of the key controls, including Ledger, Income, Debtors, Treasury , Budgetary Control and Reporting	Core Assurance	Q3	Chief Finance Officer
Corporate Purchase Cards:- Review of the controls in place to ensure that the use of corporate purchase cards is in line with the needs of the service and expenditure is subject to appropriate scrutiny.	Management Request	Q2	Chief Finance Officer
People			
Values, Health and Wellbeing: To evaluate the effectiveness of the mechanism to embed Values and promote health and wellbeing.	Risk Assessment	Q2	Chief Fire Officer
Response			
Station Management Framework: To provide assurance on the effectiveness of the controls and processes in place at a local level for compliance with the Station Management and Audit Framework.	Risk Assessment	Q1	Chief Fire Officer
Information Technology			
Cyber – Organisational Controls : To evaluate the effectiveness of the current cyber control framework arrangements against the National Cyber Security Centre Cyber framework	Risk Assessment	Q3	Chief Fire Officer
Follow up & Contingency			
Follow up and Contingency	PSIAS requirement	Q1 – Q4	Chief Finance Officer
Planning & Reporting			
Planning, Management, Reporting & Meetings	PSIAS requirement	Q1 – Q4	Chief Finance Officer



Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the organisation’s key risks and challenges and adds value.

Strategic Objectives
Prevention
Protection
People
Response
Information Technology

Review Area mapped to objectives	Cyber Security	IT Asset Management	Information Governance
	Station Management Framework	Station Management Framework	Performance Management
	Values, Health & Wellbeing	Payroll	Business Continuity
	Key Financial Systems	Key Financial Systems/Capital	Key Financial Systems/ Efficiency
	Partnerships & Collaboration	Incident Debrief / Learning	Rostering /Duty System
	Risk Management Core Controls	Risk Management Framework	Risk Management Core Controls
		25/26	26/27



Appendix B – Internal Audit Key Performance Indicators

An efficient and effective internal audit service is delivered in partnership. It is important that clear expectations are established and a range of KPIs are in place to support this. It is important that organisations ensure an effective Internal Audit Service. Whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. Our annual Head of Internal Audit Opinion will provide you with a range of impact and effectiveness measures, as well as confirmation of our compliance with Public Sector Internal Audit Standards and accreditations. In addition, the following operational KPIs have been proposed for you.

Operational KPI	Target	Measurement and Frequency
Agreement of Annual Plan prior to the start of the year	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Completion of annual plan within agreed timetable and budget	100%	Annual (measured through HOIA opinion) plus in year reporting to Audit Committee
Presentation of the Head of Internal Audit Opinion to the Audit Committee	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Delivery of audit reports to audit committee as per the plan	100%	Quarterly (measured as per annual operational delivery plan)
Terms of reference agreed with management at least 10 working days before commencement of audit	100%	Quarterly (measured as per TeamMate system) – requires MIAA and organisation to deliver KPI (for urgent requests this may be shorter depending on the nature of the request)
Draft reports issued within 10 days of completion meeting	100%	Quarterly (measured as per TeamMate system)
Final audit report issued within 10 days of receiving management response	100%	Quarterly (measured as per TeamMate system)
Final audit reports are agreed by the nominated executive director, who will ensure consultation has taken place with relevant organisation officers	100%	Quarterly (measured as per annual operational delivery plan)
Receipt of all internal audit reports in accordance with timelines for Audit Committee publication with completed cover sheets as required	100%	Quarterly (measured as per agreed Audit Committee dates)
Proportion or recommendations accepted by management	95%	Quarterly (measured as per TeamMate system) – the target allows for advisory recommendations (we would expect 100% of high risk recommendations).
Monitor and Follow Up implementation of accepted recommendations by due date	95%	Quarterly (measured through follow up reports) - requires organisation and MIAA to deliver KPI
Issue of client satisfaction survey following completion of each review	100%	Quarterly (measured as per agreed Audit Committee dates)
Operation of systems to ISO Quality Standards and compliance with Public Sector Internal Audit Standards.	100%	Quarterly (measured as per agreed Audit Committee dates)
Commitment to training and development of audit staff. Maintenance of 65% Qualified (CCAB, IIA etc) 35% Part Qualified	100%	Quarterly (measured as per agreed Audit Committee dates)

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Limitations

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Cumbria Fire & Rescue Service

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- 2 Purpose, Mandate and Responsibility
- 3 Independence and Objectivity
- 4 Proficiency and Due Professional Care
- 5 Quality Assurance and Improvement Programme
- 6 Managing the Internal Audit Activity
- 7 Nature of Work
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- 13 Definitions

1 Introduction

The Internal Audit Charter is mandated through Global Internal Audit Standards (UK public sector)¹ and is a formal document that defines the internal audit activity's purpose, mandate and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

This Charter complies with the Global Internal Audit Standards (UK public sector), CIPFA's *Code of Practice for the Governance of Internal Audit in UK Local Government* and MIAA confirms ongoing compliance with these standards and code.

2 Purpose, Mandate and Responsibility

Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes²”.

The Accounts and Audit Regulation 2015 sets out the mandate for internal audit in relevant authorities in England:

‘Internal Audit

5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risks management, control and

governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit –

- a) make available such documents and records; and
- b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic source.’

The Financial Management Code of Practice (Home Officer 2018) states:

The provision of assurance services is the primary role for internal audit in the public sector. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. The main purpose of internal audit activity within the public sector is therefore to provide the Accountable or Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Director of Internal Audit's opinions is a key element of the framework of assurance that the Accountable or Accounting Officer needs to inform the completion of the Annual Governance Statement (AGS).

Internal audit also provides an independent and objective consultancy service which is advisory in nature, and generally performed at the specific request of the organisation. Such consultancy work is separate from but contributes to the opinion which internal audit provides on risk

¹ This consists of the Global Internal Audit Standards (GIAS) of the IIA and the Application Note: Global Internal Audit Standards in the UK public sector

² The Definition of Internal Auditing, The Institute of Internal Auditors, January 2024

management, control and governance. When performing consulting services, the internal auditor will maintain objectivity and not take on management responsibility.

The above functions drive MIAA's Mission 'To drive value and improve outcomes through excellence and professionalism'.

Assurance Reviews will provide individual audit opinions to support the annual Director of Internal Audit Opinion. Formal agreement will be sought for the provision of third party assurances to other bodies in respect of the services provided by the organisation.

In accordance with the organisation's Financial Regulations, Internal Auditors will (without necessarily giving prior notice) have access to all records (including those of a confidential nature) and employees of the organisation.

3 Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Internal Audit will have direct and unrestricted access to senior management and Joint Audit Committee. .

The Director of Internal Audit will confirm to the Joint Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Director of Internal Audit will report functionally to the Joint Audit Committee and establish effective communication with, and have free and unfettered access to, the Chief Finance Officer and the Chair of the Joint Audit Committee. This will include communicating and interacting directly with the Joint Audit Committee.

Internal audit activity will be free from interference in determining the scope of internal auditing, performing work and communicating results. Internal auditors will have an impartial, unbiased attitude and avoid any conflict of interest. Conflicts of interest may arise where an auditor provides services other than internal audit to the organisation. MIAA Assurance does not currently provide other services to the organisation. If this changes steps will be taken to avoid or manage transparently and openly such conflicts of interest, so that there is no real or perceived threat or impairment to independence in performing the audit role. These steps will be documented in the charter where required.

All internal auditors will complete an annual declaration of interest identifying possible conflicts of interest and the actions taken to mitigate them. This process, and its outcomes, will be communicated to the Joint Audit Committee annually through the Director of Internal Audit Opinion and Annual Report.

MIAA will also periodically review the specific audit manager assigned to the organisation to ensure that both parties are satisfied that relationships remain independent and objective.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

4 Proficiency and Due Professional Care

Engagements will be performed with proficiency and due professional care. Internal auditors will possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively will possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. The Director of Internal Audit is a CCAB qualified Accountant and is responsible for ensuring access to the full range of knowledge, skills,

qualifications and experience to meet the requirements of the internal audit standards. MIAA internal auditors will ensure Continuing Professional Development and compliance with professional standards.

Internal auditors will apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

5 Quality Assurance and Improvement Programme

The Director of Audit will develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme will include both internal and external assessments.

- Internal assessment will include;
- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessment by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments will also be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The results of external quality reviews and any consequent improvement plans will to be reported to the Chief Executive and Joint Audit Committee.

6 Managing the Internal Audit Activity

The Director of Internal Audit will develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy will advocate a systematic and prioritised review, outlining the resources and skills required to meet

the assurance needs of the Accountable/Accounting Officer and Joint Audit Committee. The strategy will take into account the relative risk maturity of the organisation, taking due regard of the assurance framework.

The Director of Internal Audit will establish risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals.

The Director of Internal Audit will include in the internal audit strategy the approach to using other sources of internal and external assurance. Periodic plans will include any work associated with placing reliance upon such work.

The Director of Internal Audit will agree the strategy and periodic plans with the Accountable/Accounting Officer and Joint Audit Committee.

The Director of Internal Audit will work with senior management and client staff who will support MIAA in the delivery of the audit plan.

Where the Director of Internal Audit believes that the level of agreed resources will prevent the Accountable/Accounting Officer being provided with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, the consequences will be brought to the attention of Joint Audit Committee.

The Director of Internal Audit will agree arrangements for interim reporting to the Accountable/Accounting Officer and Joint Audit Committee in the course of the year and produce an annual report that incorporates his opinion.

The Director of Internal Audit will provide to the Accountable/Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Annual Governance Statement.

7 Nature of Work

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes (including value for money), using a systematic and disciplined approach.

The internal audit activity will also evaluate the potential for the occurrence of fraud and consider how the organisation manages fraud risk. CIPFA has issued a *Code of Practice on Managing the Risk of Fraud and Corruption*. While compliance with the code is voluntary, CIPFA strongly recommends that it is used as the basis for assessment of how an organisation manages its fraud risk. The Director of Internal Audit should be notified of all suspected or detected fraud, corruption or impropriety in order to inform the annual opinion and risk based plans.

The Director of Internal Audit will also liaise with the organisation's external auditors and other review bodies to facilitate the effective co-ordination of audit resources and assurances.

8 Engagement Planning

The Director of Internal Audit will establish a risk based Internal Audit Plan in conjunction with the client and with the agreement of the Joint Audit Committee. The plan will set out the priorities for internal audit activity, consistent with the organisation's goals and objectives.

Internal auditors will develop and document a terms of reference for each engagement, including the engagement's objectives, scope, timing and resource allocations, based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. A work plan will be developed and documented that achieves the engagement objectives.

Internal audit will meet regularly with the external auditor to consult on audit plans and discuss matters of mutual interest.

9 Performing the Engagement

Internal audit will identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. Internal auditors will base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors will document relevant information to support the conclusions and engagement results.

Engagements will be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

10 Communicating Results

Internal auditors will communicate the engagement results with appropriate parties, including the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans.

Working with the organisation, the Director of Internal Audit will ensure that communications are accurate, objective, clear, concise, constructive, complete and timely.

The Director of internal Audit will deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.

The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate;

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Global Internal Audit Standards (UK Public Sector), CIPFA's *Code of Practice for the*

Governance of Internal Audit in UK Local Government and the results of the quality assurance and improvement programme.

11 Monitoring Progress

The Director of Internal Audit will establish and maintain a follow-up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This will be operated to support the organisation in ensuring the implementation of actions, and reporting progress to the Joint Audit Committee.

12 Communicating the Acceptance of Risks

When the Director of Internal Audit believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the Director of Internal Audit will discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Director of Internal Audit will report the matter to the Joint Audit Committee for resolution.

Code of Ethics

MIAA will operate within the definition of internal auditing and the requirements of the Global Internal Audit Standards (UK Public Sector). This includes compliance with the Seven Principles of Public Life.

13 Definitions

Board	The Joint Management Board with overall responsibility for governance.
Accountable Officer	Officer responsible and accountable for funds entrusted to the organisation.

Joint Audit Committee	The committee with overall responsibility for advising those charged with governance on the establishment of an effective system of governance.
Director of Internal Audit	Acts as the Chief Audit Executive as the independent corporate executive with overall responsibility for internal audit.
Senior Management	The overall lead director agreed by the organisation for each audit engagement.

Louise Cobain

Darrell Davies

Fiona Hill

Cumbria Commissioner Fire and Rescue Authority Audit Progress Report and Sector Update

Year ending 31 March 2025

26 March 2025



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Introduction



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This paper provides the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the fire sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.

Progress at March 2025

Key areas

Financial Statements Audit

Our audit of your financial statements for 2023/24 is now complete, and we issued an unqualified opinion on 27 February 2025.

In March 2025 we will commence our detailed audit risk assessment for 2024/25. We will issue a detailed audit plan, setting out our proposed approach to the audit of the 2024/25 financial statements to the Joint Audit Committee in June 2025.

We expect to receive the draft financial statements in July 2025 with our audit work commencing in September 2025.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 31 December 2025 (however, this will be dependent on receipt of IAS 19 assurances from the Pension Fund auditor).

Value for Money

We aim to complete all 2024/25 value for money audit reviews by 31 December 2025.

From current trends around cost pressures and service demand, we anticipate that risks around financial sustainability and reserves will require consideration across most value for money reviews for 2024/25. Arrangements for governance and improving economy, efficiency and effectiveness will also be reviewed. The current estimated financial trajectory of the sector is shown within the sector update in this report.

Where there are lessons to be learnt from the findings for our 2023/24 value for money reviews, we will seek to share them on a timely basis, to inform future practice.

We anticipate issuing our Auditor's Annual Report by December 2025.

Progress at March 2025

Other areas

Meetings

We met with Finance Officers in March 2025 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with the Police, Fire and Crime Commissioner (PFCC) in December 2024 to discuss strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the PFCC and Chief Fire Officer. Your officers attended our Accounts Workshop in March 2025, where we highlighted financial reporting requirements for the 2024/25 accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the PFCC, Chief Fire Officer and JAC members are set out in our Sector Update section of this report.

Audit Fees

PSAA have published their scale fees for 2024/25: [2024/25 auditor appointments and audit fee scale – PSAA](#).

For CCFRA these fees are £111,586. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

2024/25 deliverables

2024/25 Deliverables	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Joint Audit Committee setting out our proposed approach in order to give our opinion on the 2024/25 financial statements.</p>	June 2025	Not due yet
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Progress Report.</p>	September 2025	Not due yet
<p>Audit Findings (ISA260) Report</p> <p>We intend to report the Audit Findings Report to the November Joint Audit Committee.</p>	November 2025	Not due yet
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement. We intend to issue our opinion by 31 December 2025, however this is dependent on receipt of IAS 19 assurances from the Pension Fund auditor.</p>	December 2025	Not due yet
<p>Auditor's Annual Report</p> <p>The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the September Joint Audit Committee.</p>	November 2025	Not due yet

Fire Sector Update

Public services including Fire are changing. Deficiencies identified in building safety combined with tightening funding envelopes require a continuing drive to achieve greater efficiency in the delivery of public services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there continues to be a drive for greater collaboration between wider blue-light services.

Our sector update provides you with an up-to-date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, Fire authorities nationally and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

More information can be found on our dedicated public sector and fire sections on the Grant Thornton website by clicking on the logo below:



Grant Thornton Publications
Insights from sector specialists
Accounting and regulatory updates

HMICFRS

HMICFRS – Standards of behaviour: The handling of misconduct in Fire and Rescue Services (August 2024)

Between October 2023 and January 2024, HMICFRS carried out an inspection of the handling of misconduct in fire and rescue services (FRSs) in England.

The terms of reference were to carry out an inspection of the handling of misconduct in FRSs in England. This was to include examining:

- the extent to which services are identifying and investigating misconduct;
- the effectiveness of misconduct processes and how consistently they are applied;
- how confident FRS staff are in raising concerns and in misconduct processes; and
- the role of fire and rescue authorities and other organisations in handling misconduct.

HMICFRS carried out detailed inspections of ten FRSs: Cornwall, Dorset and Wiltshire, Greater Manchester, Humberside, Kent, Lincolnshire, Northamptonshire, Staffordshire, Tyne and Wear, and West Midlands.

These services were selected to be a representative sample of FRSs across England in terms of size, location, governance structures and performance. HMICFRS reviewed their relevant policies and processes; examined a sample of their grievance, discipline, whistle-blowing and public complaints case files; and interviewed and held focus groups with staff in a variety of roles and at all levels of seniority.

HMICFRS also analysed data provided by all 44 FRSs in England about their grievance and discipline cases.

The full report can be found here - <https://hmicfrs.justiceinspectorates.gov.uk/publication-html/standards-of-behaviour-handling-misconduct-in-frs>



Transfer from Home Office to MHCLG

Sir Keir Starmer announces Machinery of Government change (February 2025)

On 4 September 2024, Sir Keir Starmer announced that the Government would respond in full to the Grenfell Phase 2 inquiry report within six months. In response to one of the recommendations from the report, on 13 February 2025, the Prime Minister confirmed that responsibility for fire will move from the Home Office to the Ministry of Housing, Communities and Local Government (MHCLG).

This change will bring responsibility for building safety and fire under a single Secretary of State, providing a more coherent approach to keeping people safe from fire in their homes.

The Home Office will retain management of the Airwave Service Contract on behalf of the MHCLG and will remain responsible for the Emergency Services Mobile Communications Programme and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

This change will be effective from 1 April 2025. The Government will respond to the full report in due course.



Home Office



Ministry of Housing,
Communities &
Local Government

Wider sector updates

A briefing for audit committees on the wider sector updates across Public Sector Audit, Financial Reporting and the responsibilities of Audit Committee members

Local audit reform

For government in England to really access the potential benefits that devolution may bring, there needs to be certainty that accountability and transparency can be maintained at local level. This looks likely to mean a complete overhaul of the current local audit system.

In December 2024, the Ministry of Housing, Communities and Local Government (MHCLG) published a green paper around local audit reform. In the consultation, the government recognised that just 1% of accounts for 2022/23 were published on time, and that whilst there have been calls since 2018 for a separate, dedicated, specialist local audit body to be established, there has been no such body in place since the Audit Commission was disbanded in 2015.

The consultation has now closed, and primary legislation is likely to be introduced in May 2025. The ambition is to establish a new Local Audit Office in the Autumn of 2026 and for the Local Audit Office to begin contract management and other elements of a new oversight role by 2028.

MHCLG statement on the backlog:

1 % audited accounts published on time 2022/23

Source: MHCLG green paper, December 2024

The government has committed that when it arrives, the new Local Audit Office (“LAO”) will:

- Be statutory and independent, with a remit to streamline and simplify the system;
- Assume the functions of appointing and contracting auditors for local authorities (meaning that authorities would no longer have the power to appoint their own auditor);
- Adopt ownership of the Code of Audit Practice from the NAO and deliver relevant training;
- Hold responsibility for quality oversight of local audit, including overseeing an inspection programme, enforcement and some elements of supervision;
- Publish national insight reports on local audit health, which could include emerging trends, quality, market sustainability, VFM arrangements and statutory recommendations and public interest reports; and
- Oversee professional bodies with regard to their remit for the qualification, registration and conduct of local auditors.

MHCLG describes the current system as “complex and dysfunctional” and “broken” but states that it is “determined to get the house in order”. To a large degree, the future of local audit will depend on the extent to which the new body is given appropriate scope, powers and responsibilities. We are contributing actively to stakeholder groups and will work constructively with the new body as it comes into existence.

For a full copy of MHCLG’s intentions, see [Statement of intent and consultation](#) .

The future of financial reporting

The government's consultation on local audit reform also included consultation on the future of local government financial reporting and accounts. The government's December 2024 statement of intent and consultation committed to:

- Review the content and format of accounts;
- Determine an appropriate approach to consistency across the UK;
- Consider primary legislation to separate pension fund accounts from administering authority accounts;
- Guarantee a freely available Accounting Code; and
- Consider the introduction of standardised statements in the longer term.

Work is intended to include ensuring that the accounting code does not require more disclosures than are necessary and to consider the purposes and users of local authority accounts. The statement of intent highlighted that timeliness, comprehension (understandability) and professional capability (capacity) have all been issues in the past, culminating in just 1% of audited accounts being published on time for 2022/23.

Grant Thornton's track record is strong (84% of unqualified opinions for 2022/23 signed by the 13th December 2024 backstop date), but we welcome the government's new commitments. Better timeliness and more comprehensible reporting across the sector will strengthen accountability and transparency and lead to a firmer platform for decision-making and devolved delivery.

13th December 2024 backstop performance – Grant Thornton compared to sector pre-backstop performance

Sector: % audited accounts published on time (pre-backstop dates being set)	1
Grant Thornton: % 2022/23 opinions signed by the 13th December 2024 backstop date	84
Grant Thornton: % 2022/23 VFM Auditor Annual Reports published by the 13th December 2024 backstop date	99

In the meantime, with the 28th February 2025 backstop date now passed for 2023/24 statements of accounts, many will now be turning their attention to getting ready for 2024/25 financial reporting. Unaudited accounts for 2024/25 need to be published by 30th June this year. The backstop publication date for the audited 2024/25 accounts is 27th February 2026 . Early consideration of resourcing and timetabling will help.

For a full copy of the statement of intent and consultation, see [Statement of intent and consultation](#)

For the Accounts and Audit Regulations 2024, see [The Accounts and Audit \(Amendment\) Regulations 2024](#)

Value for money webinar for Audit Committee members

We plan to hold the second in a series of Value for Money (VFM) webinars for members of Audit Committees on 4th June 2025 from 4:00pm until 5.30pm. Invitations will be available on the Grant Thornton website shortly. Alternatively, please speak to your audit Engagement Lead or Engagement Manager.

Delivered by Grant Thornton specialists and drawing on experience from across the sector, the webinar will cover:

How to prepare for devolution and reorganisation:

- Shared experience from other reorganisations, with a focus on:
- Setting up new strategic authorities;
- Preparing successful final November 2025 proposals;
- Programme management;
- Organisational enablement;
- Robust evidence for costs and benefits analysis;
- Setting out your vision; and
- Successful engagement with people and culture.

Lessons learnt from 2023/24 and how to get ready for 2024/25:

- Review of findings from more than 100 Auditor Annual Reports to identify common findings and what those tell us about areas where more scrutiny is needed;
- Year on year trends across the sector; and
- How to prepare for VFM audit 2024/25.

We look forward to welcoming you.



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

Accounting Update – IFRS 16

A briefing for audit committees on the implementation of IFRS16

IFRS 16 - Leases

Lessee accounting up to 31 March 2024

Until April 2024, when the fire body gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset and also a liability for the present value of the total amount they expect to pay over the period of the agreement. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as RPI, and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value and any difference between that and the present value of expected payments is accounted for as income, similar to the treatment of donated assets.

IFRS 16 - Leases

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to be made by management. Such judgements may include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets.
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator
- if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset

IFRS 16 - Leases

Questions to consider

Questions for fire bodies to ask themselves include:

- How have you gained assurance on completeness, that you have identified all your leases including those for a peppercorn rent?
- Have you set your threshold for low value leases?
- How have you identified all options to terminate or extend existing leases and assessed the lease term on the basis of the likelihood you will exercise them?
- Have you reconciled your operating lease commitments as disclosed in your 31 March 2023 accounts under IAS 17 to your lease liability under IFRS 16 on 1 April 2024?
- How have you gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- If you are an intermediate lessor, have you reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
- Have you updated your systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner.



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Cumbria Commissioner Fire and Rescue Authority Joint Audit Committee

TITLE:	Cumbria Commissioner Fire and Rescue Authority (CCFRA): Borrowing, Treasury Management, Investment and MRP Strategies 2025/26 (including Prudential Indicators)
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DATE OF MEETING:	26 March 2025
REPORT OF:	The Chief Finance Officer
REPORT ITEM:	12

Executive Summary:

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PFCCs) to determine the Treasury Management Strategy Statement (TMSS) on an annual basis.

The TMSS presented here complies with the latest code and accompanying guidance notes. The TMSS also incorporates the Investment Strategy.

This report proposes a strategy for the financial year 2025/26.

Treasury Management in Local Government continues to be a highly important activity. The Cumbria Commissioner Fire and Rescue Authority (CCFRA) adopts the CIPFA definition of Treasury Management which is as follows:

Treasury Management Definition

'the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Recommendations:

JAC is **RECOMMENDED** to:

- review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the CCFRA.



Borrowing, Treasury Management, Investment, and MRP Strategies 2025/26 (Including Prudential Indicators)

Treasury Management Strategy Statement 2025/26

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Key Messages

Approval of an annual Treasury Management Strategy is a statutory requirement of the CCFRA.

This Strategy aims to provide the CCFRA with a low risk, yet suitably flexible, approach to Treasury Management.

General Principles

The Cumbria Commissioner Fire and Rescue Authority (CCFRA) is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Ministry of Housing, Communities and Local Government's Investment Guidance 2018 (MHCLG). Together, these cover the financing and investment strategy for the forthcoming financial year.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services Ltd, who provide specialist treasury management advice to the CCFRA. However, it should be noted that all treasury management decisions and activity are the responsibility of the CCFRA and any such references to the use of these advisors should be viewed in this context.

Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The CCFRA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the CCFRA's treasury activities are outlined below:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Re-financing Risks (impact of debt maturing in future years)
- Legal and Regulatory Risk
- Fraud, Error and Corruption Risk

Details of the control measures the CCFRA has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

Key Messages

The CCFRA's priority for investments will always be ranked in the order of:



General Principles (Continued)

The CCFRA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counterparty risk. Accordingly, the CCFRA will continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises “**Security, Liquidity, Yield** in order of importance at all times”. The security of the sums invested is managed by tight controls over the schedules of approved counterparties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the CCFRA's revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2025/26 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011, 2017 and 2021. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 MHCLG Investment Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below, starting at page 11. Finally, the CCFRA's current treasury advisors, Link Asset Services Ltd, have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

In accordance with The Code of Practice for Treasury Management, the CCFRA will approve the Annual TMSS, receive a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.

Key Messages

Scrutiny of the CCFRA's treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12-month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the CCFRA is operating as a 'going concern'.

General Principles (Continued)

The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit Committee terms of reference in relation to treasury management are:

- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
- Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
- Review the treasury risk profile and adequacy of treasury risk management processes.
- Review assurances on Treasury Management (for example, an internal audit report, external or other reports).

The MHCLG Guidance on investments states that publication of strategies is now formally recommended, this document will be published on the CCFRA's website once approved.

The CCFRA complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG Guidance.

Treasury Management Cash Flow Forecast

Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the CCFRA's balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail on page 9 of this report, and the level of reserves and balances. In addition, day-to-day fluctuations in cash flows due to the timing of grant and council tax receipts and outgoing payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The CCFRA's level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the CCFRA's strategy in determining exact borrowing and lending activity.

Key Messages

Investment returns and borrowing rates have most likely peaked, they started to fall in 2024 and further rate cuts are expected through 2025. However, many factors can impact that forecast.

The CCFRA will need to borrow to fund the capital programme.

Treasury Management Cash Flow Forecast (continued)

The estimated treasury position at 31st March 2025 and for the following financial years are summarised below:

Estimated Treasury Position	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual £m	Forecast £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
External Borrowing	7.586	7.586	11.227	13.920	13.920	15.565
Interest Payments	0.194	0.194	0.284	0.434	0.495	0.528
Investments (Average)	12.416	17.284	10.000	10.000	7.400	7.200
Interest Receipts	-0.593	-0.855	-0.413	-0.363	-0.257	-0.253

The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined on page 7 below. The estimate for interest receipts in 2025/26 is £413k (latest forecast for 2024/25 is £855k). Interest receipts are higher this year due to higher than anticipated average cash balances and higher interest rates for investments than forecast when the 2024/25 budget was set. In July the pension grant of £14.346m was received from the Home Office. This was £10.47m higher than expected due to the provision of funding for the Sargeant/Matthews pension remedy payments. The exact timing of future external borrowing is currently not known.

The CCFRA inherited a capital financing requirement in relation to historic assets bought by Cumbria County Council which reflects the underlying need to borrow. The Capital Financing Requirement (CFR) is estimated to be £23.252m at the start of the 2025/26 financial year. This includes £12.522 which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital programme indicates that the CCFRA will need to borrow to deliver the agreed capital programme.

Upon transfer from Cumbria County Council, on the 01 April 2023, the outstanding debt in relation to that capital financing requirement was a PWLB loan of £7.586m. That loan has an interest rate of 2.6% and will mature on the 22 October 2032.

Treasury Management Cash Flow Forecast (continued)

Cumbria County Council was part of the Northwest PFI project, which replaced sixteen fire stations across Merseyside, Lancashire and Cumbria. Cumbria got 5 new fire stations including its HQ at Penrith. The new CCFRA inherited the “debt” relating to those assets. The building programme started in April 2011, with the first station opening in 2012 and the last station opening in 2013.

The contract for building and running the new stations is with Balfour Beatty Fire and Rescue NW Limited. The contract runs for 25 years from completion and hand over of the last station and includes both the service and maintenance of the stations. The stations will be recognised on the Authority’s Balance Sheet from the initial handover date. The stations and any plant or equipment installed on them will be transferred to the Authority for nil consideration at the end of the contract.

Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

Key Messages

Core CPI inflation has risen to 3.5% during 2024 and is above the 2% target. The Bank of England forecast inflation will not fall to 2% until the end of 2025.

The Bank Rate is forecast to steadily reduce in 2025, with further reductions expected during 2026.

Treasury Management Interest Rate Forecast

- GDP fell by 0.1% m/m in October with a 0.1% month on month rebound in November, the economy has a bit less momentum than most economists previously thought and therefore a real risk remains to the economy contracting in Quarter 4 as a whole.
- UK CPI fell from 2.6% in November to 2.5% for December. Both services and core inflation are currently at rates clearly above those with the 2.0% target and are moving in the wrong direction, there isn't much downward momentum. The Bank of England forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.
- The latest forecast, updated on 11th November, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market

The Monetary Policy Committee (MPC) has reduced the Bank Rate by 50bps over the past twelve months, taking rates to 4.75%. At the December meeting a 6-3 majority saw it remain at 4.75%, with two members preferring to reduce the rate by 0.25%. The Committee continues to consider a range of cases for how the past global shocks that drove up inflation may unwind, and therefore how persistent domestic inflationary pressures may be. The MPC is also monitoring the impact on growth and inflationary pressures from the measures announced in the Autumn Budget, and from geopolitical tensions and trade policy uncertainty. These developments have generated additional uncertainties around the economic outlook.

Base Rate Estimates	2024/25	2025/26	2026/27	2027/28
Quarter 1	5.25%	4.50%	3.75%	3.50%
Quarter 2	5.25%	4.25%	3.75%	3.50%
Quarter 3	4.75%	4.00%	3.75%	3.50%
Quarter 4	4.75%	4.00%	3.50%	3.50%

Key Messages

The CCFRA has an increasing Capital Financing Requirement due to the capital programme, but has modest investments (after deducting the pension grant receipt), and will therefore likely need to borrow in the near future.

Borrowing Strategy

Long Term Borrowing

The CCFRA's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the CCFRA that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the CCFRA's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the CCFRA must ensure that in the medium term, net debt will only be for capital purposes. Therefore, the CCFRA must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In compliance with this requirement the CCFRA does not currently intend to borrow in advance of spending need.

The table below shows the CCFRA's projected capital financing requirement for 2025/26 and beyond.

Capital Financing	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Balance B/fwd	24.434	23.267	23.252	26.359	28.474	30.235
Plus Capital Expenditure financed from	0.000	1.148	4.328	3.620	3.641	3.178
Less MRP for Debt Redemption	-1.167	-1.163	-1.221	-1.505	-1.880	-2.211
Balance C/Fwd	23.267	23.252	26.359	28.474	30.235	31.202

Details of the capital programme can be found within the CCFRA's budget papers, more specifically the Capital Investment Strategy.

Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for the CCFRA's expenditure profile whilst total investment balances remain relatively modest. This will continue to be monitored as levels of investments fall and if necessary, a minimum level of liquid cash to be maintained will be set.

Short term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

Borrowing Strategy (Continued)

The CCFRA inherited external borrowing of £7.586m from the former Cumbria County Council on 01/04/2023. Given that the CFR is forecast to be £26.359m by the end of 2025/26 this effectively means that the CCFRA will be funding over £14.371m of capital spend from internal resources (CFR £26.359m less £11.988m in relation to the PFI). Moving forward it is assumed currently that all capital expenditure will be funded by prudential borrowing. The scope for supporting capital expenditure through internal resources will be limited as the Authority begins life with a relatively low level of reserves/cash balances.

The Bank Rate rises over recent months have pushed up the cost of long-term finance to over 5%. Borrowing rates are expected to start falling during 2025 and to continue over the medium term. Consequently, undertaking long term borrowing at this time is likely to fix higher costs into the revenue account and commit the CCFRA to costs for many years in the future. It is critical that a long term view is taken regarding the timing of such transactions.

It should also be recognised that there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the CCFRA, in conjunction with its treasury advisor, will continue to monitor market conditions and interest rate prospects on an ongoing basis, in the context of the CCFRA's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

The CCFRA's is inheriting long-term borrowing from the PWLB (Public Works Loans Board) but other sources of finance are now available and will be investigated, such as local authority loans and bank loans, that may be available at more favorable rates.

Short Term Borrowing

Short term loans will be used to manage day to day movements in cash balances, or over a short-term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

Key Messages

The updated investment guidance emphasises “Security, Liquidity, Yield in order of importance at all times”.

The appropriate balance between risk and return is sought but with returns relatively low there is little to be gained from exposing the CCFRA to extra risk.

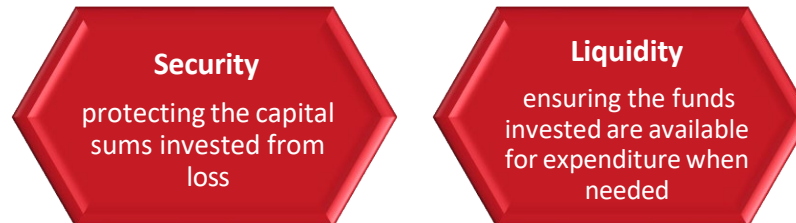
Investment Strategy

Local Authorities (which include the CCFRA) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The Local Government Act 2003, Section 15(1) (a) requires the CCFRA to approve an investment strategy which must also meets the requirement in the statutory investment guidance issued by the DLUHC in January 2018. The CCFRA does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The treasury management investment strategy operates criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the CCFRA’s treasury advisors.

Key Messages

In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the CCFRA applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

Investment Strategy (Continued)

The CCFRA holds balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2024/25, the investment balance has ranged between £6.150 and £25.370. The larger sum was due to the receipt in July 2024 of £14.346m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. £10.47m of this grant was a one-off for Sargeant/Matthews pension remedy payments to be made to Fire Officers. Balances in 2025/26 are forecast to slowly reduce as the pension remedy payments are made. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £12m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the CCFRA and its advisors, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The decision to enter into an approved class of investment is delegated to the CCFRA Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds, ultra-short dated bond funds, short dated bond funds or property funds. The use of bond funds/property funds would further diversify the CCFRA's portfolio, provide a longer-term investment and potentially increase yield. However, given current economic volatility it is unlikely that they will be pursued.

A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

Key Messages

The PFCC Chief Finance Officer (subject with consultation with the CCFRA) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

Investment Strategy (Continued)

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the CCFRA's resources. Accordingly, the CCFRA and its advisors will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed that the CCFRA Chief Finance Officer, subject to consultation with the CCFRA, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

The Joint Audit Committee will be updated on any changes to policy. The performance of the CCFRA's treasury advisors and quality of advice provided is evaluated prior to the triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including the CCFRA) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the localism act is not sufficiently explicit.

In the absence of any explicit legal power to do so, the CCFRA has no plans to use derivatives during 2025/26. Should this position change, the CCFRA may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

Liquidity of investments

The investment strategy must lay down the principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what MHCLG defines as a long-term investment.

Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

Investment Strategy (Continued)

The CCFRA Chief Finance Officer will maintain a cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the CCFRA being forced to borrow on unfavourable terms to meet its financial commitments. For the CCFRA, the total of investments over one year in duration are limited to £1m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2025/26 amounts to £413K (£855K 2024/25) and investment performance will be reported regularly to the CCFRA and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

The 'Treasury Management Practices' statement is updated for each year, scrutinised by the Joint Audit Committee and published on the CCFRA's website alongside this strategy.

Treasury Risk and Treasury Management Practices

The CCFRA's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of Duties and Dealing Arrangements
- Reporting and Management Information Requirements
- Budgeting, Accounting and Audit
- Cash and Cash Flow Management
- Money Laundering
- Training and Qualifications
- Use of External Service Providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity, which is currently managed on a day-to-day basis by the Financial Services Team under authorisation from the CCFRA Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis. Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary amendments have been made to bring the TMPs into line with The Code.

Treasury Management Prudential Indicators

The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators.

The treasury management Indicators are not targets to be aimed at but are instead limits within which the treasury management policies of the CCFRA are deemed prudent. These cover three aspects:

1. Maturity Structure of Borrowing

It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10years	100%	0%
10 years and above	100%	0%

This indicator is primarily applicable to organisations, which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. The CCFRA inherited £7.586m of external PWLB debt on 01/04/23 with less than 10 years to maturity and as such has a requirement to apply limits to the maturity profile of existing debt. The maturity date of this loan is October 2032.

The CCFRA inherited £7.5m of external debt from the former County Council.

Compliance with the indicators will be presented to the CCFRA and the Joint Audit Committee in the quarterly Treasury Activities report.

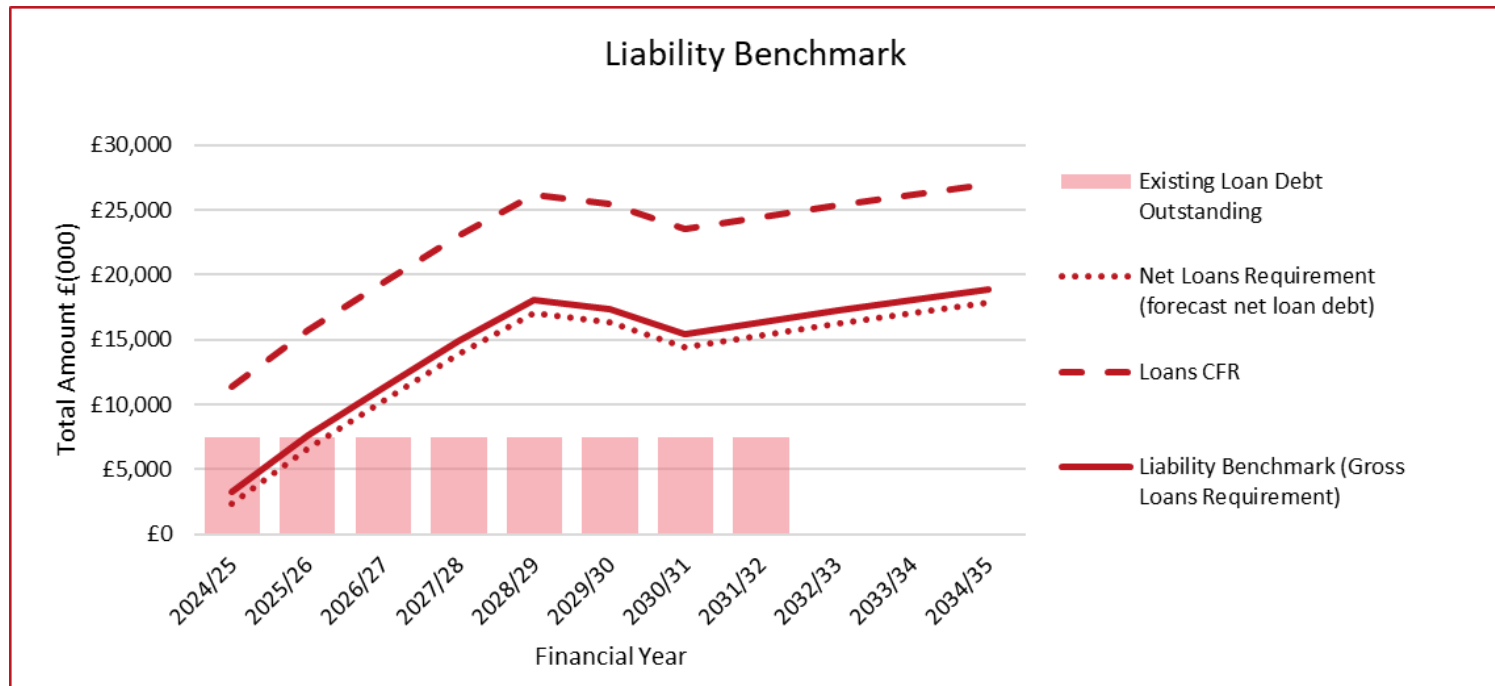
2. Principal sums invested for periods longer than a year

The purpose of this indicator is to contain the CCFRA’s exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2024/25	2025/26	2026/27	2027/28
Limit on principal invested beyond on	£1m	£1m	£1m	£1m

3. Liability Benchmark

The 2021 code requires Authorities to define their own ‘Liability Benchmark’ which looks at the net management of the CCFRA’s overall treasury position. The aim of the indicator is to support in the management of treasury risks, namely refinancing risk, interest rate and credit risk. It does this through profiling the borrowing portfolio close to the plotted liability benchmark position.



Setting, Revising, Monitoring and Reporting

Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The CCFRA Chief Finance Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner in the role of CCFRA.

Other Prudential Indicators 2025/26

As per the 2021 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the CCFRA is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Capital Expenditure and Capital Financing

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Expenditure	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Expenditure	1.207	3.112	5.328	3.620	3.641	3.178

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Financing	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Receipts	0.000	0.000	0.000	0.000	0.000	0.000
Government Grants	0.000	0.000	0.000	0.000	0.000	0.000
Revenue Contributions	1.207	1.964	1.000	0.000	0.000	0.000
Total Financing	1.207	1.964	1.000	0.000	0.000	0.000
Borrowing	0.000	1.148	4.328	3.620	3.641	3.178
Total Funding	0.000	1.148	4.328	3.620	3.641	3.178
Total Financing and Funding	1.207	3.112	5.328	3.620	3.641	3.178

Key Messages

Capital Finance Requirement – ‘The mortgage you are yet to take’.

Minimum Revenue Provision – ‘Annual Mortgage repayments (excluding interest)’.

The Authorised Limit is a statutory limit (Local Government Act 2003) above which the CCFRA has no authority to borrow.

Other Prudential Indicators 2025/26 (Continued)

Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

Capital Financing	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Balance B/fwd	24.434	23.267	23.252	26.359	28.474	30.235
Plus Capital Expenditure financed from borrowing	0.000	1.148	4.328	3.620	3.641	3.178
Less MRP for Debt Redemption	-1.167	-1.163	-1.221	-1.505	-1.880	-2.211
Balance C/Fwd	23.267	23.252	26.359	28.474	30.235	31.202

Authorised Limit

This represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term but is not sustainable in the longer term. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

Authorised Limit for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
External Borrowing	10.000	12.730	16.371	19.064	21.451	23.097
Other Long Term Liabilities	13.014	12.522	11.988	11.410	10.784	10.104
Total Authorised Limit	23.014	25.252	28.359	30.474	32.235	33.201

Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

The CCFRA inherited £7.586m of external PWLB borrowing from the former Cumbria County Council on 01/04/23.

Other Prudential Indicators 2025/26 (Continued)

Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together. Consistent with the Authorised Limit, the PFCC Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the CCFRA and the Joint Audit Committee meeting following the change.

Operational Boundary for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
External Borrowing	9.000	11.730	15.371	18.064	20.451	22.097
Other Long Term Liabilities	13.014	12.522	11.988	11.410	10.784	10.104
Total Operational Boundary	22.014	24.252	27.359	29.474	31.235	32.201

Actual External Debt

The CCFRA's actual external debt as at 31 March 2025 will be £7.586m along with other long-term liabilities of £13.014m in relation to the PFI. In constructing this strategy, a prudent approach has been taken. In practice it is likely that some internal resources will be available to support a strategic approach to the timings and interest rate structure of future borrowing.

	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Gross Debt 31 March	7.586	7.586	11.227	13.920	13.920	15.565

Other Prudential Indicators 2025/26 (Continued)

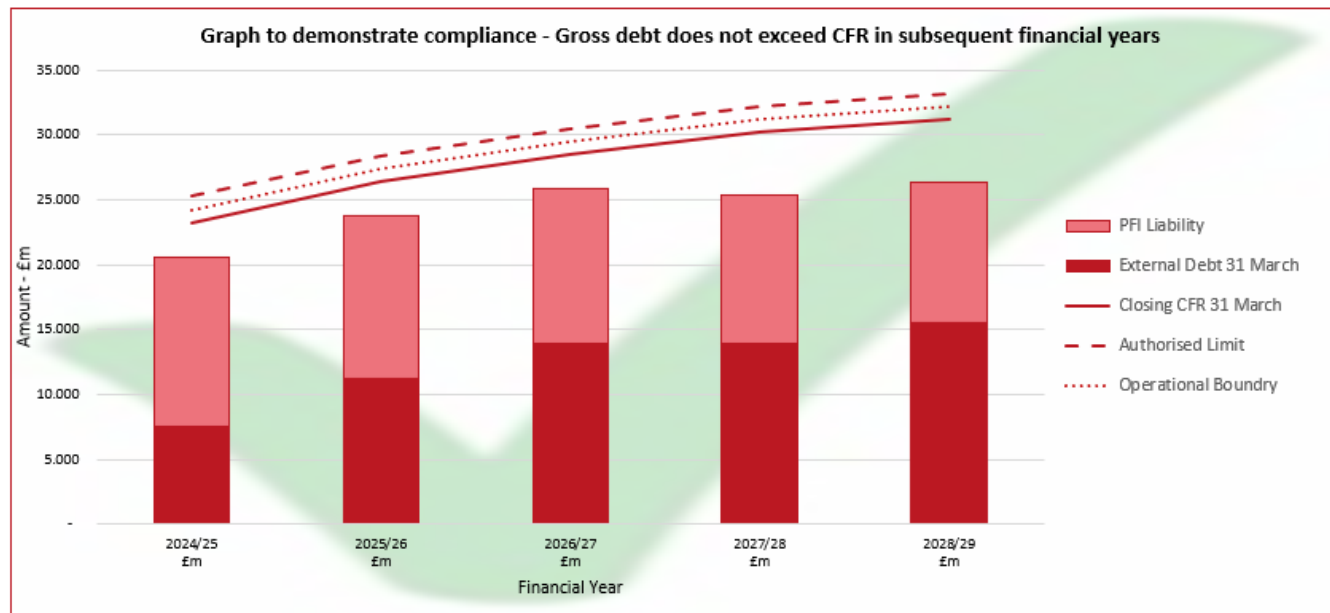
Gross Debt and the Capital Financing Requirement

The CCFRA should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Closing CFR 31 March	23.267	23.252	26.359	28.474	30.235	31.202
Gross Debt 31 March	7.586	7.586	11.227	13.920	13.920	15.565

For the purposes of this strategy, it has been assumed that the CCFRA will borrow to the capital financing requirement. In practice the Authority may have some reserves and internal resources available to support the approach to capital funding.

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:



Other Prudential Indicators 2025/26 (Continued)

Ratio of financing costs

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the CCFRA is required to set aside to repay debt, less interest and investments income. The CCFRA's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from Non-specific government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium-term financial forecast. These figures are purely indicative and are in no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream (Non PFI)	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Investment income	-0.593	-0.855	-0.413	-0.363	-0.257	-0.253
MRP	0.714	0.670	0.687	0.927	1.254	1.532
Interest	0.194	0.194	0.284	0.434	0.495	0.528
Financing Costs	0.315	0.009	0.558	0.998	1.492	1.807
Net Revenue Stream	25.442	27.824	30.112	30.982	31.995	33.045
Ratio	1.24%	0.03%	1.85%	3.22%	4.66%	5.47%

Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In relation to the CCFRA this would normally be over 60 years for buildings, 15 years for vehicles and an appropriate life for other assets.

Calculation will be based on option 3.

The CCFRA is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium-term forecasts.

Annual MRP Statement for 2025/26

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Authority to “have regard” to The Ministry of Housing, Communities and Local Government’s Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

The Ministry of Housing, Communities and Local Government’s Guidance recommends that before the start of the financial year, the CCFRA approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

It is proposed that CCFRA’s MRP policy utilises option 3. The Authority will have no pre 2008/09 borrowing. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the CCFRA’s revenue budget as this is part of the capital repayment element of the PFI unitary charge. Although it is permitted to make overpayments of MRP no such overpayments are planned for 2025/26.

Key Messages

Changes to the 2025/26 TMSS prudential indicators and MRP will be required once the detailed impact of IFRS16 is known at the 2024/25 financial

A new International Financial Reporting Standard 16 (IFRS16) has been implemented in the 2024/25 financial year, introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. This will require an adjustment to the Capital Financing Requirement, external debt (other long-term liabilities), the Authorised Limit and the Operational Boundary, to allow for those leases which were previously off-balance sheet, being brought onto the balance sheet.

The related assets and liabilities are brought onto the balance sheet increasing long-term liabilities, and as a result this will increase the debt liability. Generally accepted accounting practice requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to revenue accounts) will be taken to the balance sheet to reduce the liability. On its own, this change in the accounting arrangements would result in a one-off increase to the CFR and an equal increase in revenue account balances. This is not seen as a prudent course of action and the code guidance aims to ensure local authorities are in the same position as if the change had not occurred. This is done by recommending the inclusion in the annual MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability, including the retrospective element in the first year.

Currently, it is not possible to detail the adjustment figures until detailed data gathering has been completed at the end of the 2024/25 financial year. Following this it will be necessary to amend the MRP, Authorised Limit and Operational Boundary limits, this will be amended mid-year once the detailed impact is known.

Creditworthiness Policy

The lending criteria set is designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors there are no amendments to the criteria used in determining approved investment counterparties for 2025/26 compared to those in operation for 2024/25. However there has been a change in the methodology to applying the matrix for placing investments.

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A below. The individual, group and category limits are based on a percentage of the potential maximum sums available for investment during the year of up to £40m. The counterparty limits for 2025/26 are essentially the same as the limits for 2024/25, however, the methodology used in applying the matrix for the placement of investments has been fully aligned with Link Asset Services methodology. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Commissioner to determine the suggested duration for investments. The CCFRA will, therefore, use counterparties within the following durational bands;

- Yellow 5 years *
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the CCFRA uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply. All investments are Sterling; therefore, the Commissioner is not exposed to any foreign exchange / currency risk. The CCFRA has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All credit ratings are monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors, Link Asset Services Ltd, who provide timely updates and advice on the standing of counterparties. The CCFRA is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. If this ongoing monitoring results in a significant change to counterparty selection during the year, the CCFRA and the Joint Audit Committee will be advised through the quarterly activities report.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively by Link. Extreme market movements may result in the downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the CCFRA will also use market data and market information, as well as information on any external support for banks to help its decision-making process.

Schedule A – Counterparty Groupings and Associated Limits

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Category	Colour (and long-term rating where applicable)	Money limit	Transaction limit	Time limit
Banks *	Yellow	£10m	£1m	3yrs
UK Banks	Purple		£1m	2yrs
UK Banks	Orange		£1m	1yr
UK Banks – part nationalised	Blue		£1m	1yr
UK Banks	Red		£1m	6mths
UK Banks	Green		£1m	100 days
UK Banks	No Colour		Not to be used	0
Non-UK Bank**	Orange/Blue/Purple	£3m	£1m	1yr
Non-UK Bank**	Red	£3m	£1m	6mths
Commissioner's banker (where "No Colour")	No Colour	£1m	£1m	1 day
DMADF	UK sovereign rating	unlimited	unlimited	6 months
Local authorities	n/a	unlimited	£2m	1yr
Housing associations	Colour bands	£2m	£1m	As per colour band
Category	Fund rating***	Money limit	Transaction limit	Time limit
Money Market Funds CNAV	AAA	£10m	£2m	liquid
Money Market Funds LVNAV	AAA	£10m	£2m	liquid
Money Market Funds VNAV	AAA	£10m	£2m	liquid

* The yellow colour category is for UK Government, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

** Non-Uk Bank (£6m) is within the total category limit of £20m for all banks.

*** Please note: "fund" ratings are different to individual counterparty ratings; Pooled funds are in essence the same as AAA money market funds but they require 3 days' notice for the return of our funds. This slight reduction in cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Commissioner will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the CCFRA has access to this information via its Link-provided Passport portal.

Limits

Due care will be taken to consider the exposure of the CCFRA's total investment portfolio to non-specified investments, countries, groups and sectors.

- a. Non-specified treasury management investment limit. The CCFRA has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 10% (£4m) of the total treasury management investment portfolio.
- b. Country limit. The CCFRA has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA from Fitch.
- c. No more than £3 Million (15% at full capacity) will be placed with any non-UK country at any time;
- d. Sector limits will be monitored regularly for appropriateness.
- e. Whilst these limits also apply to the CCFRA's own bankers in the ordinary course of business if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £1m will apply in such circumstances.



Cumbria Commissioner Fire and Rescue Authority

Joint Audit Committee

TITLE:	Cumbria Commissioner Fire and Rescue Authority (CCFRA): Treasury Management Activities 2024/25 for the period 1 April 2024 to 31 December 2024
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DATE OF MEETING:	26 March 2025
REPORT OF:	The Chief Finance Officer
REPORT ITEM:	13

Executive Summary:

The attached report provides the Treasury Management position for quarter 3 of 2024/25.

Recommendations:

JAC is **RECOMMENDED** to:

- a. Note the Treasury management performance for quarter 3 of 2024/25.

1.0 Summary Position



Cash flow Balances

Quarter 3 average daily balance - £23.12m

Investment balance @ 31/12/24 £21.985m

Investment Strategy

Category	Category Limit (£m)	Investments at 30 Sept (£m)	Compliance with Limit
1 - Banks Unsecured	10	4.210	Yes
2 - Banks Secured	5	0.000	Yes
3 - Government (inc LA)	no limit	8.250	Yes
4 - Registered Providers	2	0.000	Yes
5 - Pooled Funds	10	9.525	Yes
Total		21.985	

There have been no breaches in the approved limits to report during the reporting period.



Investment Interest Forecast

Base Budget - £278k

Revised Budget - £278k

Current Estimate - £855k

Performance Indicators

Quarter 3	Number of Days	Average Balance (£000)	Largest Balance (£000)
Days In Credit	64	39	93
Days Overdrawn	0	0	0

Average interest rate earned – 4.81%

Average bank base rate – 5.03%

(Current bank base rate – 4.75%)

Treasury and Prudential Indicators

During the period 01 October 2024 and 31 December 2024, the treasury function has operated within the treasury and prudential indicators set out in the Treasury

Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on Appendix A.



Borrowing Strategy

The capital programme in 2024/25 does not include an expectation of borrowing requirement

2.0 Economic Outlook and Treasury position for the quarter ended 31 December 2024

Base Rate Estimates	2024/25 %	2025/26 %	2026/27 %
Quarter 1	5.25	4.50	3.75
Quarter 2	5.25	4.25	3.75
Quarter 3	4.75	4.00	3.75
Quarter 4	4.75	4.00	3.50

- 2.1 Quarter 3 of 2024 saw GDP fall by 0.1% m/m in October with a 0.1% m/m rebound in November, the economy has a bit less momentum than most economists previously thought and therefore a real risk remains to the economy contracting in Q4 as a whole. UK CPI fell from 2.6% in November to 2.5% for December, both services and core inflation are currently at rates above those with the 2.0% target and are generally moving in the wrong direction. Capital Economics are forecasting that CPI inflation will rebound in January, perhaps to almost 3.0% and that inflation will remain higher for the first half of 2025.
- 2.2 The latest forecast sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market. The Bank of England cut interest rates from 5.0% to 4.75% in November and held them steady in December, with two members preferring to reduce the rate by 0.25%. The Committee continues to consider a range of cases for how the past global shocks that drove up inflation may unwind, and therefore how persistent domestic inflationary pressures may be.

3.0 Borrowing position for the quarter ended 31 December 2024

- 3.1 The CCFRA has a single loan with the Public Works Loan Bord. This loan was originally arranged in October 2018 by Cumbria County Council but was transferred to the CCFRA in April 2023 following the Local Government reorganisation. The loan value is £7.5m and is on a 10-year interest only arrangement @ 2.6%. The interest is due twice a year, in April and October.

4.0 Investments in place on 31 December 2024

- 4.1 On 25 July 2024 £14m was received for the Fire Pensions AME grant, this is significantly higher than previous years due to additional pension remedy compensation. These funds have not been drawn on yet as the pension payments are behind schedule, therefore the CCFRRA are holding a higher balance than normal. At the end of December funds invested were £21.985m, the breakdown is: 43.32% held in money markets funds, 37.53% in DMO deposits 18.20% in bank deposits and 0.96 % in call accounts.

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)						
NatWest (Liquidity Select Acc)	A+		31-Dec-24	O/N	1.36%	210,000
LINK TREASURY - Goldman Sachs	A+	25-Jul-24	03-Jan-25	95	5.01%	1,000,000
LINK TREASURY - Lloyds Bank Corp M&	A+	25-Jul-24	27-Jan-25	119	5.12%	1,000,000
LINK TREASURY - NAT BANK KUWAIT	A+	25-Jul-24	27-Feb-25	150	5.13%	1,000,000
LINK TREASURY - SMBC BANK	A+	25-Nov-24	18-Feb-25	141	4.82%	1,000,000
						4,210,000
Category 2 - Banks Secured (Includes Banks & Building Societies)						
None						
						0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)						
Debt management Office	Gov	15-Nov-24	24-Jan-25	116	4.6950%	1,400,000
Debt management Office	Gov	20-Sep-24	28-Feb-25	151	4.7150%	5,600,000
Debt management Office	Gov	13-Dec-24	24-Jan-25	116	4.6950%	1,250,000
						8,250,000
Category 4 - Registered Providers (Includes Providers of Social Housing)						
None						
						0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)						
INVESCO AIM	AAA	Various	On Demand	O/N	4.757%	2,000,000
ABERDEEN STANDARD	AAA	Various	On Demand	O/N	4.775%	2,000,000
FIDELITY INTERNATIONAL	AAA	Various	On Demand	O/N	4.747%	2,000,000
BLACKROCK	AAA	Various	On Demand	O/N	4.683%	2,000,000
GOLDMAN SACHS ASSET MANAGEME	AAA	Various	On Demand	O/N	4.659%	1,525,000
						9,525,000
Total						21,985,000

Treasury and Prudential Indicators 2024/25 at 31 December 2024

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Ratio of Financing Costs to Net Revenue Stream <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.</i>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	YES	●
The Operational Boundary <i>The operational boundary represents an estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Net Borrowing and the Capital Financing Requirement <i>This indicator is to ensure that net borrowing will only be for capital purposes. The Police, Fire Crime Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	TEST - Is net debt less than the capital financing requirement	YES	●
Actual External Debt <i>The Police, Fire Crime Commissioner will seek advice from the advisors before undertaking any new borrowing. New external borrowing will be required to finance the capital expenditure programme.</i>	TEST - Is the external debt within the Authorised limit and operational boundary	YES	●	Capital Expenditure and Capital financing <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2024/25.</i>	TEST - Is the current capital outturn within planned limits	YES	●
Gross and Net Debt <i>The purpose of this indicator is to highlight a situation where the Police, Fire Crime Commissioner is planning to borrow in advance of need.</i>	TEST - Is the Chief Fire Officer planning to borrow in advance of need	NO	●	Capital Financing Requirement <i>The CFR is a measure of the extent to which the Police, Fire Crime Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	TEST - Is the capital financing requirement within planned limits	YES	●
Maturity Structure of Borrowing <i>The indicator is designed to exercise control over the Police, Fire Crime Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	NO	●				
Upper Limit for total principal sums invested for over 365 Days <i>The purpose of this indicator is to ensure that the Police, Fire Crime Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	TEST - Is the value of long term investments within the approved limit	YES	●				

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police, Fire and Crime Commissioner is implementing best practice in accordance with the Code.