

# Auditor's Annual Report on Hereford & Worcester Fire Authority

2022/23

May 2024



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

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



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Service's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our planned work within the Authority's audit, we considered whether there were any risks of significant weakness in the Service's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on arrangements	2021/22 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No significant weaknesses in arrangements identified.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but three improvement recommendations were made.	↑
Governance	No significant weaknesses in arrangements identified	A significant weakness in arrangements regarding production of the statement of Accounts has been identified, and a key recommendation issued, and one improvement recommendation has also been made.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↓
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified	No significant weaknesses in arrangements identified, but two improvement recommendations made	No significant weaknesses in arrangements identified, but one improvement recommendation was made.	↓

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

# Executive summary (continued)



## Financial sustainability

Our work has not identified evidence of significant weaknesses within the arrangements in place. The Authority identifies its financial position well. However, we have identified an improvement recommendation regarding the Authority's medium-term financial plans, which has been accepted by Management. See page 12 for more detail.



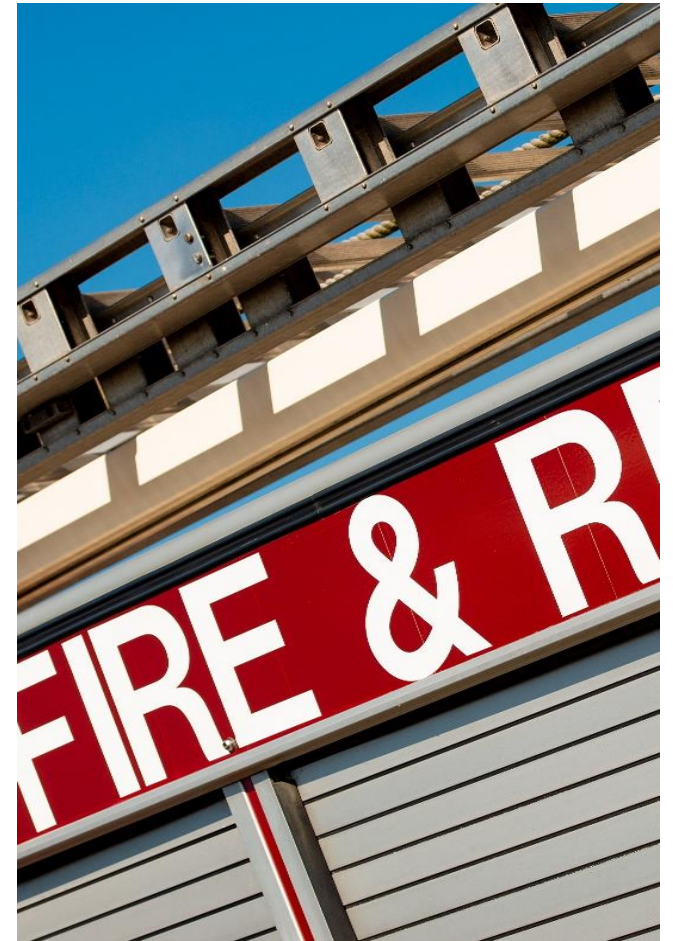
## Governance

Our work has identified a significant weakness in the Authority's arrangements for the production of draft financial statements for 2022/23 and we have issued a key recommendation. We have also identified an area where the Service could improve arrangements and as such, have raised an improvement recommendation which has been accepted by Management. See page 15 for more detail.



## Improving economy, efficiency and effectiveness

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified three areas where the Service could improve arrangements and as such, have raised two improvement recommendations around benchmarking and performance targets, which have been accepted by Management. See pages 18 and 19 for more detail.



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

All Fire and Rescue Services are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Service's responsibilities are set out in Appendix A.

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

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

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



## Financial Sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Service's arrangements in each of these three areas, is set out on pages 6 to 19

# Key recommendation

## Key Recommendation 1

The Authority should put in place arrangements to improve its production of its financial statements to ensure they are produced before the deadline

## Identified significant weakness in arrangements

The Authority's statements have been produced late which has delayed the audit of figures reducing the extent to which they can be relied on in for example, budget setting.

## Summary findings

After a delay in the finalisation of the 2021/22 financial statements, the Authority was not able to produce the 2022/23 statements before the deadline of May 2023, and produced them in April 2024.

## Criteria impacted by the significant weakness



Governance

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Service has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

## Management comments

The Treasurer acknowledges that the 2022/23 Statements were late but does not feel that this represents a significant weakness in arrangements. The delay arose solely as a consequence of the late completion of the 2021/22 Audit (the cause of which Member are already familiar) and the changes required to the 2022/23 Accounts as a result.

The 2022/23 Statements were largely complete on time, but were significantly impacted by consequences of the changes required to the 2021/22 Accounts; both in diverting capacity and in requiring changes to the 2022/23 Statements themselves.

The original draft of the 2022/23 Accounts could have presented for an earlier Audit knowing there would be an impact, but the Audit would still have required the changes to be made and checked before they were signed off.

It should be noted that - the key accounting has never been challenged - just that there were new valuations; the key statutory governance of reporting and explaining out-turn was achieved (and in much more detail than many fire Authorities provide); the Authority is on track to produce the 2023/24 statements on time - subject to any 2022/23 issues resulting from the delayed time scale.

Once the Audit is back on track there are no underlying issues and certainly no governance concerns

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

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



# Financial sustainability



## We considered how the Service:

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

## Short and medium term financial planning

Overall Hereford and Worcester Fire Authority (the Authority) understands its savings requirement but needs to develop a plan on how it will manage the funding gap over the medium-term, including identifying additional savings

There is a detailed discussion of government and business rate funding in the Budget and Precept 2023/24 and Medium-Term Financial Plan (MTFP) report reported to the Authority in February 2023 (called the budget report hereafter) showing the different types of income and making reasonable assumptions on levels of government support and different types of business rate income.

In its February 2023 budget report the Authority discussed one off or potentially one off income streams such as Urban Search And Rescue (USAR) grant and pensions grant. The report discusses different future levels of precept after considering council tax base trends and government changes to referendum limits. These assumptions are reasonable.

The most significant impacts on the Authority's expenditure budget are pay awards and pensions. The budget report sets out the associated assumptions, and other cost pressures such as fuel and utilities inflation, audit fees, reversal of National Insurance changes and future cost changes to USAR. Pay award levels have been difficult to forecast and the Budget Update report in May 2023 updated the assumptions in the Budget report for pay awards. Overall the Authority's approach to estimating future expenditure is reasonable, and the risks around this are being appropriately managed.

As required by s25 of the Local Government Act 2003 the Chief Finance Officer in their report for 2022/23 confirmed the robustness of estimates and adequacy of the reserves discussed and included in the budget and MTFP.

The Authority is aware of the financial risks it faces, notably around government support, pay rises and pension contributions and has focussed on making major changes where necessary through the strategic Community Risk Management Plan (CRMP) process, using the budget reduction reserve to effectively manage any reductions needed in the short term. As recognised by the Authority and as reported in our 2021/22 Auditor's Annual Report the Authority will need to have identified and planned for the savings required to meet the forecast funding gap over the medium term. (see Figure 1)

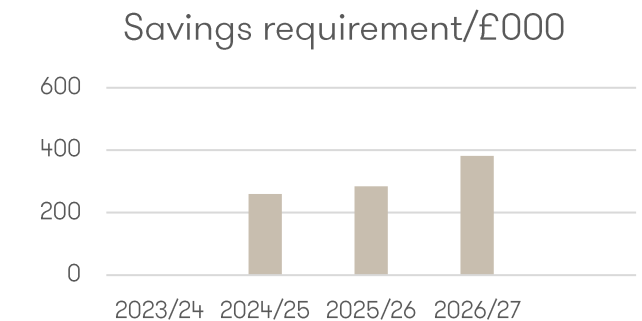


Figure 1 Savings requirements to 2026/27

# Financial sustainability (continued)

## Short and medium term financial planning (continued)

Producing savings plans remains critical, especially given the planned use of reserves shown in Figure 2, and we have retained this Improvement Recommendation.

The Authority has made effective use of reserves, specifically the budget reduction reserve, to smooth the requirement to make savings needs to produce saving plans, but the planned use of reserves, see Figure 2, will have to come to an end shortly.

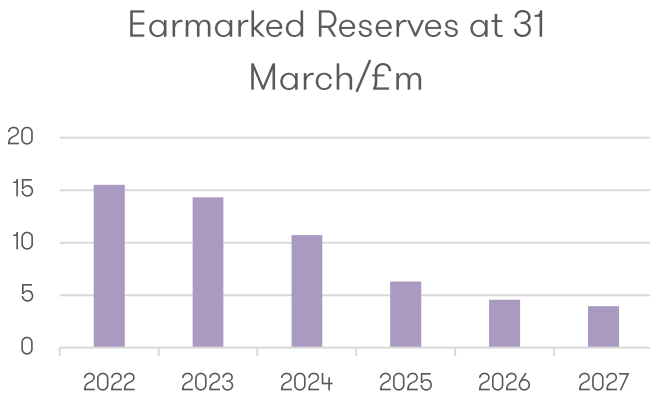


Figure 2 Earmarked Reserves to 31 March 2027

The Authority's performance against key financial and performance metrics is set out in Table 1. These are discussed on pages 10 and 11.

	2022/23	2021/22
Planned revenue expenditure	£39.4m	£36.9m
Actual revenue expenditure	£39.5m	£36.4m
Planned capital spend (Total project cost is approved, not split over years)	£20.1m	£34.8m
Actual capital spend	£2.8m	£9.9m
Planned savings target (recurrent/non-recurrent)	£0	£0
Actual savings delivered (recurrent/non-recurrent)	£0	£0

Table 1 Financial and performance metrics

# Financial sustainability (continued)

## Short and medium term financial planning (continued)

The Authority has an Environmental Sustainability Plan which is integrated with other plans including the MTFP. This plan shows actions and progress is monitored.

Adequate arrangements are in place for the management of cash flow - the Authority invests its surplus funds with Worcestershire County Council and has taken account of the availability of internal funds before borrowing. The Minimum Revenue Provision (debt principal repayment) level of £2.8m is not high given the revenue budget of £39.4m.

## Identifying savings

The public, staff and partners are consulted with in the production of the CRMP, which is linked to the budget and arrangements are in place for approving savings schemes.

Members receive quarterly financial monitoring reports. Earmarked reserves were £14.1m at the end of March 2023, £0.1m lower than planned (see Table 1 on page 8). There are presently no new savings in the budget, but the reports do show variances being acted upon and implications considered.

As raised in our 2021/22 Auditor's Annual Report whilst the budget monitoring and reporting process is appropriate currently, the Authority has

undertaken, in response to an Improvement Recommendation to report separately on progress against significant saving schemes when these are required.

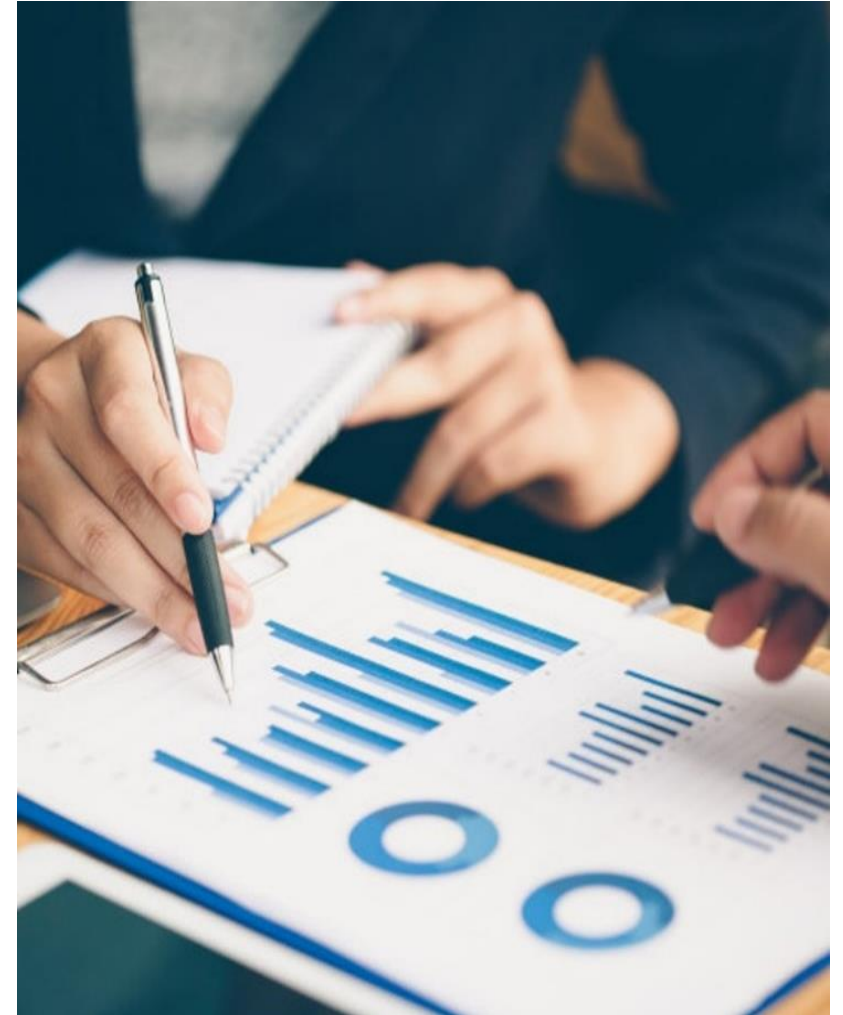
## Financial planning and strategic priorities

The services that the authority provides (fire prevention, fire safety, firefighting and rescues, including emergencies such as road traffic collisions and flooding events) are statutory services. The main discretionary aspects of spending relate to the levels of cover and configuration of resources. Where the Authority has new investments it adequately shows this in its plans, for example the investment in digital communications.

The Authority's CRMP is effectively its Strategic Plan and determines how it will deliver services. The Authority sets out how its plans such as prevention, response and workforce align to each other clearly in the budget report with the CRMP central to this.

The Authority's use of capital resources supports corporate strategic priorities, for example in terms of new provision of Fire Stations, and makes sense within the overall financial context.

As already noted the MTFP does require savings starting from 2026/27 to balance the budget but these are not yet identified.



# Financial sustainability (continued)

## Financial planning and other operational plans

The 2021/22 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (now His Majesty's Inspectorate, HMICFRS) report identified the linkages between the workforce plan and the authority's overall strategies, specifically the CRMP, as a weakness. Since then the Authority has improved these linkages and the most recent workforce plan is more integrated with the CRMP, as recognised by the 2023 HMICFRS report

The key elements of the Treasury Management strategy in terms of Prudential indicators and the policy for debt repayment are integrated into the budget report and show a prudent approach. The variation between budget and outturn was £0.1m which is not a significant sum in the context of the total budget of £39.4m (See Table 1 on page 8).

The Authority's capital programme is reflected in the revenue budget, (where it has a small increase in impact), both of which were agreed in February 2023 as part of the Budget and Precept 2023/24 and (MTFP) report to the authority. There is no evidence of major capital investment being postponed or cancelled without a sound rationale.

## Managing risks to financial resilience

The Authority's financial plans consider risks to its finances. Work in the budget process, including reports to the Authority involves scenarios relating to the different possible levels of precept and government support as well as a detailed analysis of different possibilities of pay awards and different levels for government funding. This work could be enhanced by generating scenarios that would require immediate action to "stress test" the Authority's approach by reviewing what could be implemented if urgently required, and preparing contingency plans if needed. As already noted the main mitigation to risks to financial resilience is by use of reserves, which is only a short-term solution, and as discussed on page 7 an Improvement Recommendation has been retained.

The Authority also manages risks to its financial resilience through updating of assumptions (such as pay awards) and budget monitoring which can identify issues in order to take remedial action or identify offsetting solutions. Earmarked Reserves are planned to decline as shown in Figure 2 on page 8. This planned use of reserves increases the need to have a clear and deliverable plan in place to manage the MTFP funding gap.



# Financial governance

## Annual budget setting

There is adequate evidence that the Revenue Budget process takes account of the MTFP and that the process included effective consideration of trends in government support, alternative precept levels, and key variables such as pay award levels. The budget is linked with service planning, specifically the Community Risk Management Plan. There is adequate internal and external engagement in the budget setting process.

Financial plans for the year due to start on the next 1 April are reviewed and put forward by budget holders and by the senior leadership team. Budget holders request the budget they require for the coming financial year as part of the medium-term financial planning process. This is assessed with regard to the priorities for areas and the Authority's (CRMP), and signed off by the relevant member of the Senior Leadership Team (SLT). The budgets are then compiled into one by the Finance Section to identify any funding pressures and then these are discussed by SLT to identify any changes needed and to discuss associated risks. The budget development role of the members is strategic - they approve the CRMP and resourcing model for the Authority, which drives the staffing budget requirements, and they approve the overall budget.

## Budgetary control

The Authority regards budget management and Financial performance as an important objective for senior managers

Budget holders are sent budget monitoring reports monthly. These reports are timely and show variations to planned spend, and form the basis of discussions with the Finance Section.

Financial monitoring was reported to members quarterly during 2022/23 and this report includes information on Treasury Management. The report provides a clear summary and forecast and a discussion of possible financial issues. It identifies cost pressures and budget adjustments. The report does not include cashflow forecasts, but does include a discussion of the current cash position.


The Authority identifies its costs including where it shares facilities and buildings.

## Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Authority manages risk to its financial sustainability. We have made one improvement recommendation set out on page 12.



# Improvement recommendation

<b>Improvement Recommendation 1</b>	The Authority needs to produce savings plans to address the structural budget gap
<b>Improvement opportunity identified</b>	The Authority's Financial Sustainability will be enhanced if it continues to have clear plans for a longer period into the future.
<b>Summary findings</b>	The Authority has identified the likelihood that will need to make savings in the future and is managing the situation by planned use of reserves, but will need to produce savings plans.
<b>Criteria impacted</b>	 <span>Financial sustainability</span>
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Management comments</b>	<p>One of the issues raised for Members is the financial uncertainty caused by lack of direction from government (2024/25 is the 6th consecutive single year settlement). The Authority has made significant savings over many years and there are no longer any easy savings – any savings will represent some reduction in services to the communities. The gap has reduced significantly and is based on some cautious funding assumptions.</p> <p>Whilst being advised of the risks of placing too much reliance on the use of reserves, where reserves have been built up, Members expressed a desire to spend reserves in moderation to deliver services now rather than hold them against some unknown future funding regime.</p> <p>The Authority we will take appropriate measures having regard to the level and certainty of any future predicted gap.</p>

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Service:

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

## Risk management and internal controls

Risk management is a key driver of the Authority's strategy and the Authority's comfort in dealing with risk is strong as the main services of the authority are planned and run to respond to risk. The Authority's annual risk update report was agreed by the Audit and Standards Committee in July 2022. This report notes that "Department Heads are responsible for the completion of a quarterly risk register review, with support from the Emergency Planning and Resilience Officer (EPRO). The Strategic Risk Register (SRR) is reviewed at a Strategic Leadership Team (SLT) meeting at the end of each quarter and is collectively owned by SLT and supported by the EPRO." These risks are assessed and scored.

Risks are reviewed at the Audit and Standards Committee and the risk register is owned in managerial terms by the SLT. The Strategic Risk Register consists of 17 active risks which is appropriate for an organisation of this type. There is evidence of older risks being removed.

We have reviewed the scoring in the register and this is reasonable. The items are not RAG (Red / Amber /Green) rated, but instead are defined as High/Medium/Low in terms of residual scores. The scores reported to members do not show impact and likelihood but this work is undertaken by officers, nor do they have a named senior officer or direction of travel shown. An improvement Recommendation is made that the Authority should consider adding this information to what is reported to members.

During 2022/23 Internal Audit was provided by Worcestershire Internal Audit Shared Service (WAIASS), a shared service between five district councils and the Fire Authority, who delivered 80 of 111 days of the audit plan. Five of the ten planned audits were not fully completed in year, although nine were completed or sufficiently completed for the assurance in them to be taken account of in the Internal audit opinion for 2022-23 which identified adequate assurance. No high priority recommendations were made, and no assurance levels at or below "limited assurance" were reported. The work of internal audit conforms with Public Sector Internal Audit Standards.

Our work, and the work of internal audit, has not identified any evidence of pervasive and significant weaknesses in internal controls.. The Authority's Annual Governance Statement says there are no control deficiencies. (See Table 2 on Page 14)

The Authority has adequate arrangements in place in respect of the prevention and detection of fraud, e.g. code of conduct and anti-fraud, bribery and corruption policies.

# Governance (continued)

The Authority has however been significantly late in providing a draft set of accounts for 2022/23, after there had been a delay for the 2021/22 draft also. The draft financial statements for the year ended 31 March 2023 were published and provided for audit on 8 April 2024, which is over 10 months past the statutory deadline of 31 May each year. The Authority must improve its financial reporting arrangements so that draft financial statements are produced by the statutory deadline. This is a significant weakness in arrangements, a key recommendation has been made.

## Informed decision making including the Audit Committee

Major decisions (for example on agreeing spending on projects, and the budget overall) are made by the Policy and Resources Committee and the full Authority. From a review of papers the include relevant information, reflect the Authority's strategies and policies and involve, where appropriate, reference back to earlier discussions on the matter.

There is evidence of an appropriate 'tone from the top' in respect of decision making, in terms of senior officers demonstrating openness, transparency, personal ownership, and engagement. The Director of Finance is part of the leadership team and involved in officer decision making, and in advising members.

Whilst the Authority has used reserves to ensure that they have not had to make reactive decisions, they do of course need to plan for savings as discussed above in the Financial Sustainability section where we have made an Improvement Recommendation (Page 8).

There is no evidence of unlawful decision making or decision making that could lead to significant losses or exposure to significant financial risk, nor conflicts of interest

**From review of minutes of the Audit and Standards Committee we have seen that Members are well informed and ask appropriate questions of officers and there has not been a high turnover of members.**

## Standards and behaviours

The organisation has an appropriate attitude to regulation and compliance with the law. The behaviour and culture that the Authority is based on the adoption of the Core Code of Ethics for Fire and Rescue Services in England. The Authority has recently commissioned an Independent Cultural Review in the light of concerns that have been highlighted for other Fire Services. The findings of this review were not available at the time of our audit.

From review of the Annual Governance Statement, the Internal Audit Annual Report, the Letter of Representation and the Annual Compliments, Complaints and Requests for Information Report, no evidence has been found for any significant or repeated departures from key regulatory and statutory requirements, professional standards, or the Code of Ethics. The Authority has appropriate policies and arrangements in place relating to gifts and hospitality, and the Authority has appropriate arrangements in place for officers and members to make declarations of interest, and no breaches of these have been reported. The Authority also has arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.

## Conclusion

Overall, our work has identified a significant weakness in the Authority's arrangements for the production of the statement of accounts for 2022/23. We have also made one improvement recommendation which is set out on page 15

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None (Draft AGS)	None
Head of Internal Audit opinion	Generally Adequate	Generally Adequate

Table 2 Key Governance Metrics

The Service's performance against key governance metrics is set out in the table above.

# Improvement recommendation

## Improvement Recommendation 2

The Authority should consider including information on likelihood and impact of risks, direction of travel of residual scores and senior officer responsibility in the Strategic Risk Register reported to members

## Improvement opportunity identified

The Authority will be better able to demonstrate its compliance if it gives more detail of the work done

## Summary findings

The Authority's Strategic Risk Register gives a good picture of the main risks facing the Authority but does not include some information used in getting to the register presented to members.

## Criteria impacted



Governance

## Auditor judgement

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

## Management comments

Strategic Risks are owned corporately by the SLB team as a whole so it is not relevant to include a responsible officer. Members are aware of the structured and layered approach to risk management and risk registers and therefore require assurance of the process of lower level risk management rather than the risks themselves. The Authority should be concerned with the Strategic Risks reported. Future Strategic Risk Reports to Members will include Risk and Likelihood factors that make up the residual score indicate a direction of travel. However, given the nature of these risks, the residual score is unlikely to change making the direction of travel indicator of little benefit.

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



## We considered how the Service:

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

## Use of financial and performance information

Quarterly performance reports are provided to the Policy and Resources Committee and these now include targets for the key area of the Attendance Performance Measure (which measures attendance times to emergency incidents). Our 2021/22 Auditor's Annual Report recommended the inclusion of targets for key performance indicators, and an improvement recommendation is made in this report that the Authority should consider which other of the most important measures would be more usefully reviewed with targets

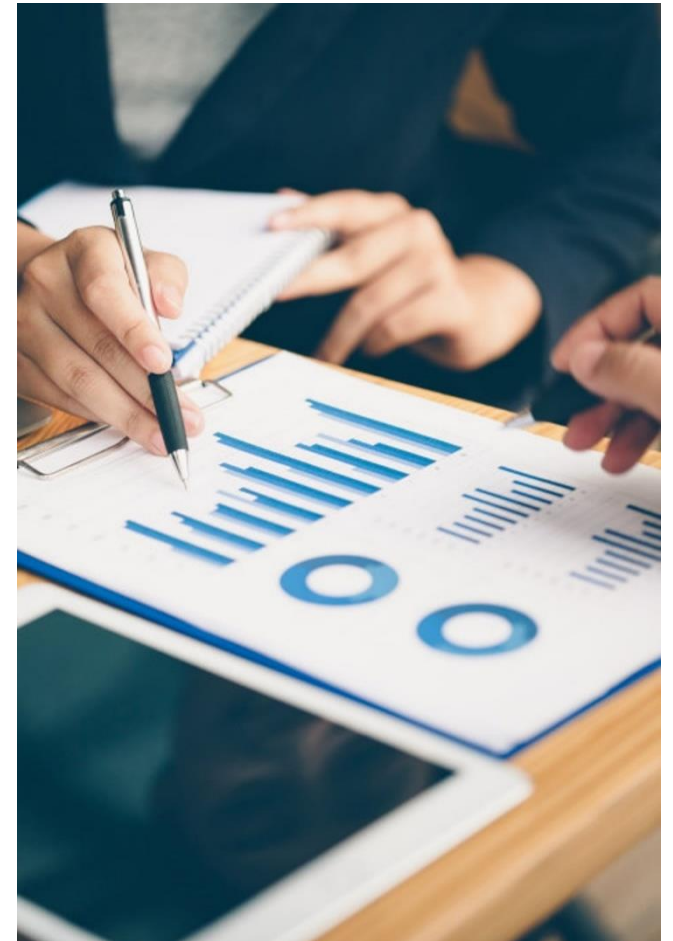
The Authority obtains assurance over the accuracy of financial and performance data reported to the Authority through the work of Internal Audit.

The Authority is part of a benchmarking group run by the National Fire Chief's Council (NFCC) and also submits data as part of CIPFA Statistics. The Authority plan to use the NFCC data to look at the authorities identified by HMICFRS as showing good practice to see how they compare. We have made an improvement recommendation that the Authority should use NFCC and Cipfa benchmarking together with identifying good practice authorities, to support the development of the savings plan

## Assessing performance and identifying improvement

The Authority has set out standards for response and is measuring associated performance

The Authority's review of the CRMP and the Improvement Plans arising from the HMICFRS inspection in 2021/22 demonstrate work across a range of areas to improve the operation of the organisation..



# Improving economy, efficiency and effectiveness (continued)

## Assessing performance and identifying improvement (continued)

The consultation process for major decisions (such as the Attendance Performance Measure which measures attendance times to emergencies) and the detailed HMICFRS inspection regime help to ensure that the Authority is not progressing options that do not deliver value for money for the public.

## Partnership working

Partnerships are reflected in key priorities in the Authority's Annual Service Plan which highlights partnership working in relation to home fire safety visits, fire safety inspection (both with the relevant Local Authorities), and road safety. (with Herefordshire Council and Worcestershire County Council)

The Authority has historically worked closely with Shropshire Fire and Rescue Service in particular, with joint working having been implemented including alignment of CRMPs. The Authority also works in an alliance which is examining fire control, together with Shropshire and other fire and rescue authorities.

The work of partnerships, such as the strategic fire alliance with Shropshire, is fed back to, and overseen by, the Policy and Resources Committee and Authority.

While there is no evidence of significant loss or failure to deliver the expected benefits of partnership working, the 2021/22 HMICFRS report highlighted that the evaluation of benefits from partnership working was an improvement area.

The most recent (2023) HMICFRS report identified that evaluation of the benefits of collaboration remains an area for improvement. As well as this, and an area for improvement regarding producing savings similar to ours on page 8 there are 9 other areas for improvement and the Authority will be acting on these.

## Commissioning and procurement

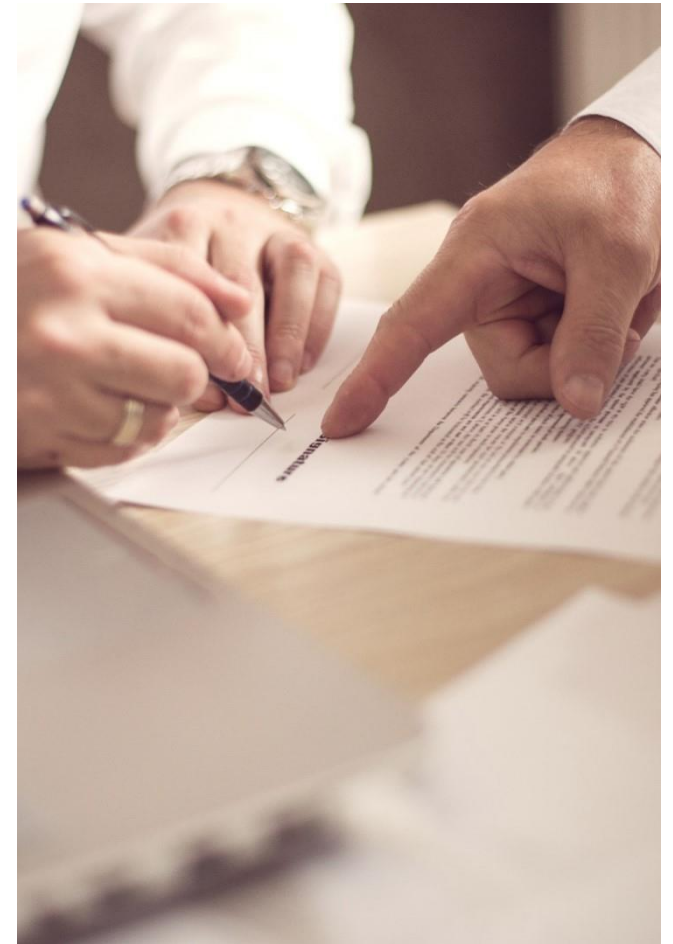
The Authority has an Asset Management Plan including separate sections on Property, Fleet and IT which sets out the approach for the management of these assets including procurement. This plan is aligned with the Authority's strategy, notably the CRMP.

The Authority has not entered into any significant commercial arrangements in the period of this audit.

The Authority has appropriate arrangements in place to monitor, control and report on costs for major capital projects, ensuring that it does not suffer significant cost overruns or negative impact on current performance via quarterly reports to members.

## Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified 2 opportunities for improvement which are set out on pages 18 and 19.



# Improvement recommendations

## Improvement Recommendation 3

The Authority should consider which other of the most important measures would be more usefully reviewed with targets

## Improvement opportunity identified

The Authority will be able to manage some of its services better by setting targets for performance

## Summary findings

In last year's Auditor's Annual Report we recommended that the Authority set targets for key performance indicators and this has now been done for the Attendance Performance Measure

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

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

## Management comments

In considering which other important measures should be usefully reviewed with targets, the Authority has set targets linked to its core strategies – for example the Authority has an annual target for the number of Home Fire Safety Visits completed and the number of Fire Safety Inspections, in addition to the targets set out with the Attendance Performance Measure. These are monitored quarterly and considered by the Strategic Leadership Board and the Policy and Resources Committee of the Fire Authority.

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 4

The Authority should use NFCC and Cipfa benchmarking together with identifying good practice authorities in future years and as this approach develops nationally, to support the development of the savings plan

## Improvement opportunity identified

The Authority may be able to use the planned benchmarking to help develop its savings plan

## Summary findings

The Authority plans to use benchmarking to help it identify areas for improvement. The Authority has been involved in leading the work in the fire sector on this, leading to data being shared in 2023/24.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

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

## Management comments

The Treasurer is very committed to this Benchmarking and jointly led the group that eventually produced a product. However, the first data set (2023/24 budget) was only released in February 2024 and therefore was not available to use in the 2022/23 year. The Service is trying to make use of the data but this is frustrated by some data quality issues and lack of responses from colleagues. However, by focusing first on those areas where costs appear higher, the Authority has an understanding that these arise because of positive decisions and not poor management.

Progressing the actions management has identified to address the recommendations made will support the Service in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Authority needs to bring forward further savings plans to address the structural budget gap and future budgetary pressures, for example, pay costs and inflation.	Improvement	January 2023	The Authority has accepted the recommendation but feels the best time to produce savings options is when the next CRMP is produced	No	We have re-raised an improvement recommendation
2	The Authority should consider reporting separately on progress against significant saving schemes when these are developed.	Improvement	January 2023	The Authority has accepted the recommendation but has not yet had any such savings	Yes	No
3	The Authority should ensure there is a coherent link between stated corporate strategic priorities and the design of the budget	Improvement	January 2023	The Authority has improved links	Yes	No
4	The Authority should consider including targets for key performance indicators in the quarterly performance reports.	Improvement	January 2023	The Authority has done this for their key attendance measure	Yes	The Authority should consider targets for other measures

# Appendices

# Appendix A – Responsibilities of the Service

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

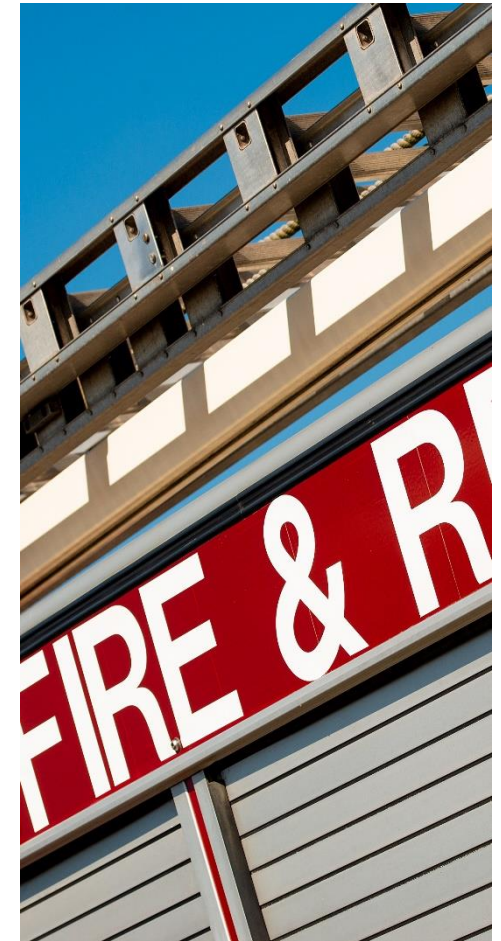
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Service. We have defined these recommendations as ‘key recommendations’.	Yes	6
Improvement	These recommendations, if implemented should improve the arrangements in place at the Service, but are not a result of identifying significant weaknesses in the Service’s arrangements.	Yes	12,15,18,19



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