

Auditor's Annual Report Hereford and Worcester Fire Authority

For the year ended 31 March 2025



Ref: PLHE109771/VFM25
Date: 13/2/2026

Members of the Audit, Scrutiny and Standards Committee
Hereford and Worcester Fire Authority
Hindlip Park
Worcester
WR3 8SP

Dear Members,

Hereford and Worcester Fire Authority – Auditor’s Annual Report 2024/25

We are pleased to attach our Auditor’s Annual Report for the financial year 2024/25. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Authority and should not be shared with anyone beyond the Authority without our prior approval.

We would like to take this opportunity to thank the Authority’s officers for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

Bishop Fleming Audit Limited

Bishop Fleming Audit Limited

Contents

1. Introduction.....	2
2. Executive summary.....	3
3. Audit of the financial statements.....	4
4. Value for Money.....	6
5. Financial sustainability.....	7
6. Governance.....	9
7. Improving economy, efficiency and effectiveness.....	12
8. Recommendations.....	14

1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Hereford and Worcester Fire Authority (the Authority) for the year ended 31 March 2025.

The Authority is responsible for:

- keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control;
- the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them; and
- putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives whilst safeguarding and securing value for money from the public funds at its disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Authority by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Authority under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code requires us to report on the Authority's arrangements under three specified reporting criteria:

- Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Authority ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our Audit Plan which we issued to the Authority in September 2025.

2. Executive summary

Results from the audit of the financial statements

Our audit of the financial statements has been completed, and we issued a disclaimed audit opinion on 13 February 2026. See Section 3 for more details.

On finalisation of the external audit, we completed the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return. There are no issues to report to the Council.

Results on our work on other matters

Our work relating to other matters has been completed in line with our audit plan. For those minor areas that have required updates or amendments, management have engaged constructively with us and responded positively to our requests. See Section 3 for more details.




Results from our work on VFM arrangements

Under the Code, we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weaknesses in the Authority's arrangements for financial sustainability. We have identified one recommendation, where we consider arrangements in place could be improved. See section 8 for details.
Governance		We did not identify any significant weaknesses in the Authority's arrangements for governance. We have identified one recommendation, where we consider arrangements in place could be improved. See section 8 for details.
Improving economy, efficiency and effectiveness		We did not identify any significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. We have identified one recommendation, where we consider arrangements in place could be improved. See section 8 for details.

Key:

	Green - No significant weaknesses in arrangements identified and no recommendations made
	Amber - No significant weaknesses in arrangements identified but recommendations for improvement made
	Red - Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the Code and the International Standards on Auditing (ISAs) (UK). As stated in section 1 of this report, we are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit of the financial statements has been completed, and we issued an unmodified audit report on 13 February 2026.

Key issues arising from the accounts audit

Our testing and review of the financial statements to date has not identified any significant issues that need to be brought to the attention of those charged with governance.

2024/25 was the first year in which local government bodies were required to implement the provisions of IFRS16 Leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Authority for the incremental borrowing rate.

The impact on the 2024/25 financial statements of the implementation of IFRS16 is material, therefore is subject to detailed audit procedures to provide assurance over the balances within the financial statements and management's approach to adopting the standard.

Other matters

As stated in section 1 of this report, we are also required to report to the Authority, by exception, the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Authority under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Authority's attention in respect of these matters.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue an audit certificate for Hereford and Worcester Fire Authority for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have issued our audit opinion and have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

4. Value for Money

Under the Code, we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

The Code requires us to report our commentary on the Authority's arrangements under three specified reporting criteria:

- Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Authority ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criterion for the auditor to assess those arrangements.

In 2023/24, we identified a significant weakness in respect of the Authority's governance arrangements and in particular production of 'true and fair' draft financial statements in line with statutory deadlines. In 2024/25, the Authority published its accounts by the statutory deadline and therefore we did not include this as a risk of significant weakness for 2024/25 in our Audit Plan.

We asked management to complete an evidenced self-assessment of the Authority's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there were any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Authority's arrangements in each of these three areas is set out in sections 5, 6 and 7 of this report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that 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; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2024/25 outturn

The Authority's budget for 2024/25 proposed revenue expenditure of £43.36m, with use of the earmarked Budget Reduction Reserve amounting to £260k to balance the financial position.

The final outturn position of the Authority presented to the June 2025 meeting of the Authority amounted to revenue expenditure of £42.72m, a £0.64m reduction on the original budget proposal. The impact of this resulted in a fall in the use of the Budget Reduction Reserve to £99k.

Total revenue reserves fell by £1.65m to £11.04m in the year to 31 March 2025 which equates to a 13% reduction. This was despite reduced capital expenditure in the year which resulted in a £545k contribution to the Capital Projects Reserve. A number of earmarked reserves were almost entirely utilised in the year, most notably the Respiratory Protective Equipment (RPE) Reserve for breathing apparatus and the Equipment Reserve. However, on the whole the budgeted use of earmarked reserves for 2024/25 was £2.54m, which compares to an actual use of £1.65m. The use of individual reserves was therefore either broadly in line with or below the forecasts at the start of 2024/25.

Financial planning and monitoring

The Authority's financial planning and monitoring arrangements have remained consistent since our reporting in 2023/24.

The Authority produces its Medium-Term Financial Plan ('MTFP') in February each year, which forecasts the income, expenditure and required use of reserves over the following four years. As part of this, the Authority should consider the need to develop savings plans to maintain prudent reserves and ensure financial sustainability. There has been no change in 2024/25 to the Authority's approach to savings plans, therefore the 2022/23 recommendation in relation to developing savings plans remains ongoing. Along with this, the Authority should ensure that savings plans are reported separately within budget updates to monitor their achievement throughout the year.

Workforce planning assumptions are based on delivering the Authority's Community Risk Management Plan, which are directly used to identify the workforce requirements for budget setting purposes.

Capital budget requests are completed by budget holders as part of the overarching capital strategy, which allows the finance team to identify the ongoing revenue impacts of capital projects to build into budget setting processes.

A public consultation exercise was conducted by the Authority in January 2024 as part of its Resource Review proposals. This allowed members of the public to give feedback on the operational resources and improvements which could be made to increase the efficiency of the service. This consultation allowed the Authority to inform its financial planning assumptions for 2025/26 as the public raised substantial levels of disagreement with the proposed changes.

The Senior Leadership Board routinely receive reporting on risk management, which allows them to consider the impacts on financial planning and performance. This is then reported to members as part of quarterly budget updates to the Policy and Resources Scrutiny Committee.

2025/26 financial planning

At the February 2025 meeting of the Fire Authority, members approved the net revenue budget of £45.1m for the 2025/26 financial year, with a forecast reserves position at the end of the MTFP period (to 2028/29) of £4,683k, which is a significant decrease from the £11,038k which were held by the Authority at the 31 March 2025 balance sheet date. If the reduction in reserves continues at the average forecast rate over the MTFP of £1,609k per year, this would ultimately leave the Authority with between two and three years of reserves left at the end of 2028/29.

The Authority holds a Budget Reduction Reserve as part of its total usable reserves, which amounted to £1,457k at 31 March 2025. The cumulative budget gap over the life of the MTFP is £2,659k which exceeds the balance in this reserve.

The MTFP presented a balanced position for 2025/26, with the planned use of the Budget Reduction Reserve at £360k, therefore further diminishing the Authority's ability to absorb cost pressures over the medium term. As identified above the Authority should implement savings plans as a means to improve its financial sustainability.

The key cost pressures within the 2025/26 budget arise from the impact of the Government policy change for employer's National Insurance contributions (£574k), removal of the Funding Guarantee Grant (£902k), and the estimated impacts of the 2025/26 pay award (£444k).

However, through forecast changes in the Council Tax and Business Rates position the Authority is forecasting a £1,426k increase in funding for the year, along with an increase to the Council Tax Band D rate of £5 which amounts to a further £898k for 2025/26. This, along with the use of the Budget Reduction Reserve, is sufficient to present a balanced position for 2025/26.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's financial sustainability arrangements.

We have considered progress against previously identified areas of improvement at section 8.

6. Governance

We considered how the Authority ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how it 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; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; 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; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Authority presents its Strategic Risk Register ('SRR') to the Audit, Scrutiny and Standards Committee on an annual basis, allowing for elected members to scrutinise the risk reporting and understand the progression of risks over the annual cycle. The SRR is ultimately owned by the Strategic Leadership Board who review this quarterly as part of its meetings, with any significant changes being reported to the Committee as required.

In 2024/25, the annual update was presented in September 2024 with no additional risk reporting in the year. Members and officers are able to access risk reporting internally throughout the year on an ad-hoc basis, ensuring that they have appropriate access to information outside of formal Committee meetings. This ensures that there is effective scrutiny and oversight of risks by members throughout the year.

Individual risk registers are held at a department level, with those identified as higher risk being escalated to the Senior Leadership Board for consideration and inclusion in the overall SRR. This is in line with the Organisational Risk Management Policy which sets out the risk assessment matrix and escalation processes, along with the framework for risk-scoring.

Internal control

Internal Audit services are provided to the Authority by the Worcestershire Internal Audit Shared Service. At each Audit, Scrutiny and Standards Committee they present an update paper on progress towards their Annual Plan as approved by the Committee for 2024/25 in September 2024. The Head of Internal Audit Opinion for 2024/25 was one of 'reasonable assurance'. No pervasive or significant weaknesses on internal controls were identified in the report.

As part of our work, we have reviewed the Internal Audit reports received by the Authority, along with Audit, Scrutiny and Standards Committee minutes and supporting papers. The work of Internal Audit ensures that sufficient coverage is given to controls across the Authority, with reporting on areas such as treasury management, cyber security and workforce development being received in 2024/25 to align with strategic priorities.

The Authority's arrangements for prevention and detection of fraud include a whistleblowing policy, code of conduct and a fair notice procedure on fraud prevention. It has also adopted the Core Code of Ethics for Fire and Rescue Services developed by the National Fire Chiefs Council to promote ethical behaviour amongst staff and are embedded into the governance of the Authority, with all papers presented to meetings required to identify how proposals align with the Code.

Budget setting

The Finance team work with budget holders across the Authority to set annual budgets and the Medium-Term Financial Plans ('MFTP'). These are based on the information available from the Government and local councils on funding and precept levels to ensure that the plans are reasonable and in line with wider financial planning assumptions.

However, the Authority does not include any form of sensitivity analysis or consideration of alternative scenarios within its financial plans presented to members. This leaves the Authority dependent on the outcomes falling directly in line with the MFTP or otherwise reducing reserves further than forecast if adverse variances arise.

This is not in line with best practice for financial planning, therefore we would expect that the Authority include such analysis moving forward to present members with a clear picture of the impact of changes to variables. This could include increases to salary at differing levels based on Grey/Green Book determinations (set by the National Joint Council for Local Authorities' Fire and Rescue Services for the pay and conditions for fire service staff) in-year, or increases in the rate of inflation. We have made a recommendation in section 8 of this report with regard to enhancing the budget setting process by including appropriate sensitivity analysis and alternative proposals.

Members are provided with annual training on finance and budget setting to ensure that they have the necessary skills to challenge and scrutinise papers presented by officers, including but not limited to the MFTP and associated papers.

Budgetary control

Members of the Policy and Resources Scrutiny Committee receive budget updates on a quarterly basis. The papers received are informed by regular discussions between the Finance team and budget holders, having been reviewed by the Strategic Leadership Board in relation to their own budget allocations.

Capital budget monitoring is also received at the same committee meetings, with reporting provided against ongoing and new schemes which are approved as part of the budget setting cycle each February. The capital budget is split into five categories – vehicles, major buildings, future buildings, major equipment, and minor schemes – this allows for clear identification of capital requirements and under/overspends in the year which may require adjustments to financing from the Capital Projects Reserve.

Within financial reporting to the Authority members, there is appropriate non-financial information to support the financial information provided which aids the decision-making process. This is applicable for both revenue and capital reporting where detailed commentary is provided giving detail to members, notably on the current position of investments and borrowings which support the overall cash position of the Authority.

An example of such non-financial information is in the November 2025 budget reporting to the Policy and Resources Scrutiny Committee meeting. This provides narrative to support the understanding of variances in areas including whole-time pay for members to understand the impact of specific items such as long-term absences on the overall budget position.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements in place for the challenge of such decisions before they are made.

The Authority has two key committees which support its governance arrangements alongside the full Authority. These are the Audit, Scrutiny and Standards Committee, and the Policy and Resources Scrutiny Committee. Both committees receive updates on the Authority and its operations within their respective remits. These meetings provide members with an opportunity to discuss and challenge recommendations before decisions are formalised.

The Chief Finance Officer of the Authority attends the Strategic Leadership Board, which is in line with good practice and ensures that the statutory officer has appropriate access to engage with senior leadership of the Authority.

The Authority are working with a number of other Fire Services to deliver a collaborative fire control agreement. This is led by Hereford and Worcester Fire, where reporting on the implementation of this arrangement is delivered to the Full Authority meetings on a regular basis throughout the year.

There are also arrangements in place to share buildings with the West Mercia Police, through their shared headquarters at Hindlip Hall and a number of joint fire stations at Redditch and Bromsgrove. There is reporting of these arrangements to the Policy and Resources Scrutiny Committee meetings, ensuring that they are able to understand when any variances from the approved budget are identified.

Ensuring appropriate standards

In our previous Auditor's Annual Report 2023/24, we identified a significant weakness in respect of the Authority's ability to produce its financial statements before the statutory deadlines for two years. We also used our powers under Section 24 of the Local Audit and Accountability Act to make statutory written recommendations as follows:

- The Authority must produce 'true and fair' draft financial statements for 2023/24 as soon as reasonably practicable (per section 4 of the Accounts and Audit (Amendment) Regulations 2024) and by a deadline to be agreed with the auditor.
- In future years the Authority must produce 'true and fair' draft financial statements which are signed off by its Treasurer in line with statutory requirements and deadlines.
- The Authority should consider whether its Accounting System is fit for purpose if it prevents the production of draft financial statements before the prior year figures are fully audited.

In 2024/25, the Authority has taken steps to address these recommendations, which resulted in the 2024/25 financial statements being approved by members on 25 June 2025. The 2024/25 unaudited financial statements were published for inspection on 24 June 2025, ahead of the statutory deadline of 30 June 2025.

On the basis of the above, we are content that the Authority has made appropriate arrangements to improve standards for financial reporting in the year. Therefore, we consider that our prior year recommendations in this area have been resolved.

We have been informed that there have been no instances of significant non-compliance within the year. Throughout our review, we have not identified anything that has contradicted this. Gifts and hospitality records are maintained as part of the Authority's Register of Staff Interests which details gifts offered no matter the value, to ensure that officers are mindful of the impacts of accepting any items from members of the public or other officials.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's governance arrangements.

We have made recommendations for areas of improvement at section 8.

7. Improving economy, efficiency and effectiveness

We considered how the Authority uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority 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; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Policy and Resources Committee receives performance reporting from officers on a quarterly basis. The focus of this reporting is on incident response, prevention and protection, which is in line with the statutory responsibilities of a fire authority and the Fire and Rescue National Framework.

The 2022/23 Auditor's Annual Report (issued by the predecessor auditor) identified a recommendation in respect of the lack of clear targets for performance indicators, and our work in 2023/24 confirmed that no progress had been made in this area between reporting dates.

In 2024/25, we can see that there has been an improvement in identifying certain performance indicators in the reporting to the Committee, notably in relation to Home Fire Safety Visits and Risk Based Inspection Programmes. However, the wider context of the reporting remains in an almost identical format to that of the reports produced in 2022/23 when the recommendation was originally made.

Our view remains that the reporting of performance is not prepared in an appropriate format for members and the public to properly monitor the performance of the Authority and identify areas for improvement. This includes through the reporting of trends over a period of time, and the use of appropriate measures for reporting against targets.

There are limited specific key performance indicators (KPIs) identified within performance reporting, with the information prepared largely providing a factual account of the number of incidents or staff absences, for example. Whilst we recognise that the Authority cannot put KPIs on certain areas of performance, such as the number of fires, it has the ability to introduce a performance framework which would encompass measures which drive its performance to define positive outcomes. As a result, the recommendation raised in 2022/23 in relation to KPIs and performance reporting remains unresolved.

The Authority engages with the National Fire Chiefs Council ('NFCC') where it takes a lead role in financial benchmarking across the sector. This allows for national comparisons to be drawn when carrying out reviews of financial and operating performance within its services.

The Authority continues to receive reporting from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services ('HMICFRS') across a number of themes. This includes specific reporting to the Audit, Scrutiny and Standards Committee in relation to any recommendations made to the Authority from the inspection cycle or through national reports such as the 'Standards of behaviour' report published by HMICFRS in August 2024. The Authority has drawn out the individual recommendations made to the Chief Fire Officers by HMICFRS and devised an action plan to ensure that they address all recommendations in an appropriate timeframe. This shows that the Authority uses reporting from the Inspectorate in an appropriate manner to identify improvements to service delivery.

As noted within the section 5 of our report, the Authority undertook a Resource Review in early 2025. This involved a review of the effective provision of services to residents, in line with its overarching strategy and obligations as a Fire Authority. Whilst the aim of this review was not to directly make savings, it allowed the Authority to consider how it can best utilise its resources without putting additional pressure on its financial sustainability. This review has informed the 2025/26 budget setting cycle to ensure that the Authority continues to deliver cost-effective services.

As stated above, the Authority has two committees in place to ensure there are regular updates and actions taking place based on advice received from regulatory bodies – the Policy and Resources Scrutiny Committee which is responsible for

development of policy, financial management and performance, and the Audit, Scrutiny and Standards Committee which is responsible for receiving reporting from Internal and External Audit along with reviewing the risk management processes.

Internal and External Audit updates are received by the Audit, Scrutiny and Standards Committee on a regular basis to ensure that members are made aware of progress and recommendations being made.

Partnership working

The Authority refreshed its Collaboration Brochure in April 2025 to focus on five sections - Response, Protection, Prevention, People and Assets. (The previous version was dated 2022.) This Brochure is a clear, publicly available document showing how it works with other agencies such as West Mercia Police and Shropshire Fire and Rescue Service.

At the February 2025 Fire Authority meeting, members received a report on the Fire Control Project where the Authority is working in partnership with a number of other Fire and Rescue Services to procure and deliver a new Fire Control system. This work has developed since the project initially launched in January 2023 and is expected to deliver significant cost savings to the authorities working in partnership.

In addition to this, the Authority shares a number of premises with the Police and Crime Commissioner for West Mercia which allows for efficiencies within the estate of the Authority whilst working in conjunction with the Police as 'Blue Light' services to protect the public.

Commissioning and procuring services

The Authority has a clear procurement strategy, setting out its approach to ensure a co-ordinated response to national, regional, and local requirements, meeting the needs of the service, customers, and end-users while supporting long-term objectives. Procurement guidelines were last revised in December 2023, with the next review scheduled for December 2025.

There is no evidence to suggest that the Authority does not follow fair processes for major contract procurement. Designated contract managers oversee performance throughout the year to maintain compliance and quality.

Local Government Reorganisation

The announcement of Local Government Reorganisation (LGR) in December 2024 is a significant new challenge for the Authority, where the future landscape of Hereford's and Worcester's council areas being determined through consultation with the local councils and taxpayers before proposals are submitted to the Government.

The location of the Fire Authority across two existing unitary councils (Herefordshire Council, and Worcestershire Council) means that it is unlikely to align exactly with any boundaries for a new mayoral strategic authority, which are the proposed successor for fire authorities in line with the original indications of the Government. The working assumption of the Authority at present is that Herefordshire and Worcestershire would remain under one mayoral strategic authority, but until this is agreed by the Government this is not yet confirmed.

The Authority are closely monitoring the progress of LGR across England to understand the impacts on fire authorities and the future governance arrangements which will be implemented across the unitary council areas in April 2028. The Chief Fire Officer is meeting regularly with the leaders of the councils, to ensure that he is kept up to date on their proposals and any updates which they are receiving from Government. He is also engaging with the NFCC and Government departments to stay informed of the national picture as it emerges.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness.

We have considered progress against previously identified areas of improvement at section 8.

8. Recommendations

KEY:





Red - Recommendations that refer to issues that have resulted in a significant weakness in the Authority's arrangements.



Amber - Recommendations that should improve the arrangements in place at the Authority but are not as a result of identifying a significant weakness.

Current Year Issues

Governance – Identification of risks and sensitivities within budget setting	
 <i>Amber</i>	
<p>The MTFP and Budget issued in February 2025 does not include any form of sensitivity analysis or consideration of alternative scenarios, therefore leaving the Authority dependent on the outcomes falling directly in line with the MTFP or otherwise reducing reserves further than forecast if adverse variances arise.</p> <p>This gives rise to concern for the Authority's planning and would be expected that they build in such analysis to its budget setting processes to present a clear picture to members of any anticipated outcomes.</p>	<p><u>Recommendation</u></p> <p>The Authority should seek to enhance its budget and MTFP reporting to members by including appropriate sensitivity analysis to forecast a range of likely outcomes to inform decision making.</p> <p><u>Management comment</u></p> <p>The Authority is already provided with information on potential cost pressures not included within the budget and MTFP, and it is clear that these would have an impact on the overall financial position. This are almost exclusively relating to national pay awards and government's view on future funding. There is little merit in providing spurious probabilities to these events, unless they are certain in which case they would be in the budget. This Authority has no funds to hold contingencies within the budget and thus any materialisation of these events would have to be (and is) dealt with through in year adjustments to the budget via the budget monitoring process.</p>

Improving economy, efficiency and effectiveness – Targets for KPIs	
<div style="display: flex; align-items: center; margin-bottom: 10px;">  Amber </div> <p><u>Prior Year Auditor’s Finding</u></p> <p>In last year’s Auditor’s Annual Report, it was recommended that the Authority set targets for key performance indicators, and this has now been done for the Attendance Performance Measure.</p> <p>The Authority should consider which other of the most important measures would be more usefully reviewed with targets.</p> <p><u>2023-24 Update</u></p> <p>Targets for KPIs in the performance report are not clear, and progress towards targets are not mentioned.</p>	<p><u>Recommendation</u></p> <p>The Authority should consider implementing targets for all of its KPIs and clearly reporting on progress against these.</p> <p><u>2022/23 Management Comment</u></p> <p>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.</p> <p><u>2023/24 Management Comment</u></p> <p>Targets for annual KPI's will be made clearer in the Quarterly Performance Report where required</p> <p><u>2024/25 Management Comment</u></p> <p><u>Clarity Improved Around Home Fire Safety and Inspection Targets:</u></p> <p>Targets for annual Home Fire Safety Visits and Fire Safety Inspections have been made more transparent in the latest Quarterly Performance Report, reviewed by Fire Authority Members. These targets are now clearly presented both in the main commentary and in the visual appendix, which tracks progress against the annual goals.</p> <p><u>Community Risk Management Plan 2025–2030 Approved:</u></p> <p>On 14 October 2025, the Fire Authority formally approved the Community Risk Management Plan (CRMP) for 2025–2030. This strategic document includes updated Key Performance Indicators (KPIs), detailed in the Measuring and Demonstrating Impact section (from page 70 onwards). These KPIs are currently being embedded into the supporting Core Strategies and will be monitored and reported through the Quarterly Performance Report and other relevant reporting mechanisms to ensure transparency and accountability.</p> <p>The Authority will set KPIs for those areas for which they are appropriate, and these are set out in the revised Core Strategies to be considered by the Authority on the 17th December. These will then be reported on in the Quarterly Performance Report. The Authority will not set KPI for areas that are not within its control but will continue to monitor that these remain within tolerance bands that have previously been agreed by the Authority. Whilst this has taken place it is recognized that a refreshed explanation of this approach would be helpful to newer Members of the Authority</p> <p><u>2024/25 Audit Update</u></p> <p><u>Reporting of trends:</u></p> <p>Currently the reporting compares the equivalent quarter from the previous year rather than showing a clear trend throughout the year, in particular for incident response which is a key measure for the Fire Authority.</p> <p>To provide clarity for readers the Authority should ensure that this data is in such a format that trends can be observed along with appropriate narrative to inform decision making.</p>

Measures for reporting:

The performance reporting does not identify specific KPIs for many areas, rather being an overview of factual data. This limits the ability for decision making to be driven by the performance reporting.

For example, the number of Road Traffic Collisions which the Service responded to is beneficial information but cannot be measured as a KPI as the performance is not influenced by the actions of the Service. This is a theme which is consistent throughout the Authority's performance reporting.

On the People indicators, this is presented as a summary of key data, such as overall workforce numbers and absence details however there is no evidence of KPIs being set to determine what is good performance in these areas.

In our view, the Authority should improve this reporting to ensure that the delivery of services is appropriately monitored and scrutinised by the Committee.



Prior Year Auditor’s Finding

The Authority has identified the likelihood that it 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.

2023/24 Update

There is a planned use of reserves throughout the life of the MTFP, although no planned running down of the General Fund. However, total use of earmarked reserves from 2024/25 to 2026/27 was forecast to be £5.9m, which would leave the balance of General Fund and earmarked reserves at £6.9m. Whilst this remains a reasonably healthy position, the Authority should be cautious about such a large running down of reserves and should consider what savings plans could be implemented.

Recommendation

The Authority should produce savings plans to address the running down of reserves.

2022/23 Management Comment

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 finding assumptions.

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.

The Authority will take appropriate measures having regard to the level and uncertainty of any future predicted gap.

2023/24 Management Comment

As stated in previous responses the budget gap is a fluid figure, but the 2024/25 budget gaps are now known. Officers have been working up a detailed savings plan and the June 2025 Fire Authority will receive a report on the plans.

2024/25 Management Comment

The Authority reports on reserves and their use as part of the MTFP process, within the period reported on from 31-03-2024 to 31-03-2029 Earmarked Reserves reduce from 11.190m to 3.145m. Use of these Reserves will then continue in the following years and will be recorded in the MTFP.

2024/25 Audit Update

Over the life of the 2025/26 MTFP the Authority is forecasting to reduce its reserves over a four-year period to 31 March 2029 with usable reserves forecast to be at £4,683k, a substantial decrease on the balance of usable revenue reserves held at 31 March 2024. Within this, the Authority has not forecast any savings to be made, rather forecasting to use reserves where appropriate, although its Budget Reduction Reserve stands at £1,592k at 31 March 2024 therefore there is limited coverage within this reserve to absorb the budget deficit.

Whilst the use of such reserves can help the Authority balance its budgets in the short-term, any cost pressures which were not included in the MTFP could significantly impact the financial sustainability of the Authority as a whole. As such the Authority must consider the implementation of savings plans given the growing deficit position forecast as part of the MTFP.

Governance – Delayed production of financial statements

In May 2024, a significant weakness in the Authority’s arrangements for 2022/23 regarding the production of the financial statements was highlighted in the Auditor’s Annual Report. The significant weakness centred on the Authority being unable to produce its 2022/23 statements before the statutory deadline of May 2023 – instead producing them in April 2024 - nearly a year later. The recommendation made by the auditor required the Authority to put in place arrangements to improve the production of its financial statements to ensure they were produced before the statutory deadline.

The deadline for publishing the draft 2023/24 financial statements was 31 May 2024, with a backstop date being set by the Ministry of Housing, Communities and Local Government of 28 February 2025. However, the Authority failed to publish its financial statements by that date.

In our view the Authority has therefore not responded to the significant weakness raised in 2022/23 in a timely or appropriate way. We have therefore concluded that it is not only appropriate to include this as a significant weakness in this report, but also for us to use our powers to make statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014.

Recommendation

In future years the Authority must produce ‘true and fair’ draft financial statements which are signed off by its Treasurer in line with statutory requirements and deadlines.

The Authority should consider whether its Accounting System is fit for purpose if it prevents the production of draft financial statements before the prior year figures are fully audited.

2023/24 Management Comment

The Authority:

- i) Notes and accepts the Auditor’s recommendations in full;
- ii) Notes that Officers will be able to respond to those recommendations without further action from the Authority and that additional short-term resources will be brought in to increase capacity, if available;
- iii) Delegates it to the Treasurer to agree a deadline for production of the 2023/24 accounts with the Auditor; and
- iv) Confirms that the current accounting software remains fit for purpose

Production of the 2024/25 Accounts is back on track, for draft to be completed by regulatory deadline of 30th June 2025.

2024/25 Management Comment

Following the impact of delayed audits on the production of Financial Statements, the Authority has produced its 2024/25 statements in line with statutory requirements. These were signed by the Section 151 Officer on 20th June 2025 and made available to the public on the same day.

The Authority has considered its accounting system which has recently been selected for use by other Fire Authorities - and determined that it is fit for purpose - as it has been used to successfully complete the budget and financial statements for many years in accordance with statutory deadlines.

2024/25 Audit Update

The Authority has made progress in 2024/25 to produce its financial statements ahead of the statutory deadline of 30 June 2025.

Our audit work has considered the accounting system and financial reporting processes and not identified any concerns over the implementation of controls. As such, we are content that this recommendation has been addressed accordingly.

Governance – Monitoring of joint facilities

The Authority does not have a formal process in place for the monitoring of the costs at the shared facility at Bromsgrove.

Recommendation

Arrangements should be in place to monitor, control and report on costs for the shared facility at Bromsgrove, and going forward, at Redditch.

2023/24 Management Comment

The Authority contracts the management of the property estate to the Police & Crime Commissioner (PCC), part of this function is to monitor all individual property costs. However, as the PCC is also the landlord for this property it is recognized that an additional overview by officers of the Authority may be helpful.

2024/25 Management Comment

Arrangements are in place to monitor and control costs for the shared facility at Bromsgrove - this will be extended to cover Redditch. The split for the site costs is determined by the amount of property used by the service. Utility Bills are then split using this percentage.

If work is required relating to general property upkeep (ie painting walls) this is charged to the Fire Service if it is in an area occupied by them and if in a shared area split between the services based on the occupied percentage. This information is reported to the Strategic Leadership Team and Policy and Resources Committee as part of the Facilities Management Budget review.

2024/25 Audit Update

Reporting to the Policy and Resources Committee includes updates on joint arrangements with the PCC through budget monitoring where any costs outside of agreed budgets would be identified to members. As such, we are content that this recommendation is resolved.

Improving economy, efficiency and effectiveness – Internal/External Audit recommendations

The Authority does not currently have a formal mechanism for feeding back recommendations from External Audit to the Audit and Standards Committee, with this instead being the responsibility of department heads.

Recommendation

Progress against Internal and External Audit recommendations should be regularly reported to and reviewed by the Audit and Standards Committee.

2023/24 Management Comment

In relation to External Audit our arrangements were designed around the previous Auditors. The Treasurer will liaise with Bishop Fleming to agree a future approach.

2024/25 Management Comment

At this time both internal and external audit produce updates for the Audit, Scrutiny and Standards Committee. When audit reports are discussed with the relevant service manager a response is included on the final report which is reported to Senior Management and Members

2024/25 Audit Update

External audit recommendations from the prior year have been followed up and communicated to the Committee. We are content that the recommendation has been resolved.

Should the Authority wish to further improve the tracking of these recommendations a register could be presented during each Committee meeting to ensure that members are regularly updated on progress.



© Bishop Fleming. All rights reserved.

Bishop Fleming is a trading name of Bishop Fleming LLP, a limited liability partnership registered in England and Wales No. OC391282, and Bishop Fleming Audit Limited, a limited company registered in England and Wales No. 07869428. Registered offices: Bishop Fleming, Brook House, Winslade Park, Manor Drive, Clyst St Mary, Exeter, EX5 1GD. A list of members' names for the LLP is available at the above address.

