

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

2021/22

December 2023



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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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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# Executive summary






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

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

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified because of the Authority's planned use of reserves to bridge the Medium Term Financial Plan gap.	 No significant weaknesses in arrangements identified.	 No significant weaknesses identified, but three improvement recommendations have been made.	
Governance	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified.	 No significant weaknesses in arrangements identified.	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified, but two improvement recommendations made.	 No significant weaknesses identified, but one improvement recommendation has been 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.

# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our audit of your financial statements is ongoing. Subject to satisfactory completion of the remaining work we plan to issue an unqualified audit opinion shortly after the Audit & Standards Committee meeting on 18 January 2022. Our findings are set out in further detail on page 21.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any Statutory Recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an Advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a Judicial review.

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

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

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

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

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



## Financial Sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 6 to 17. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Authority:

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

## Identifying significant financial pressure

The Authority's financial planning appropriately considers the impact of government funding. The Budget and Precept 2022/23 and Medium-Term Financial Plan" presented to Full Authority on 15 February 2022 clearly sets out the impact of the annual funding settlement, in particular noting that a one year settlement has been made, making longer term planning challenging. The MTFP and budget has therefore been prepared on the same basis as previous years, with similar assumptions. The assumptions around council tax precept increases and changes to the council tax base are reasonable. At the time the assumption of 2% pay growth was reasonable, but now looks to be significantly understated.

The Authority also includes the impact of in-year changes in government funding. For example, the Budget Monitoring 2021/22 – Quarter 4 report to Policy & Resources Committee on 4 May 2022 sets out the additional government funding of £1.171m received in respect of the collection fund loss arising from business rate reliefs for retail businesses. The Treasurer recommended that this windfall gain be earmarked to cover the inflationary pressures on the major building schemes programme to ensure these can be completed to meet the operational needs of the Service.

While a significant majority of the Authority funding (£25.6m out of £36.6m) is from council tax this is a very stable source of income, derived from household across Herefordshire Council and Worcestershire County Council. Further significant income streams include government grants and business rates - all considered to be long term and stable.

There are no plans to use capital resources to bridge any shortfall.

We can see that there are plans to use the Budget Reduction Reserve to balance the MTFP. This is a long term strategy to use a specific reserve to smooth relatively low value annual shortfalls until such time as some of the structural issues, such as the Comprehensive Spending Review, are completed. This avoids the Fire Authority taking highly controversial steps such as closing fire stations or reducing service provision unnecessarily. In February 2022, the planned use of the Budget Reduction Reserve across all three years totalled £675k. At this point the balance was expected to be around £800k. The MTFP showed anticipated recurrent annual savings of £50k in respect of the Wyre Forest Hub and £40k in respect of "Ill Health Pension Changes".

However, changes at a national level, outside the control of the Fire Authority, have meant that the MTFP has been updated in October 2022, and now shows potential budget deficits of £309k in 22/23; £729k in 23/24; £1,344k in 24/25; £1,168k in 25/26 and £1,081k in 26/27.

These changes include the proposed increase in pay, as set by government, is likely to lead to a £600k shortfall. The Authority budgeted for 2%, the actual is 6%. The Authority also expects to lose funding for Urban Search & Rescue, on which it makes a surplus of around £300k. However, this has not yet been formally notified. Having made around £7-8m savings already since 2012, the Authority is heading towards a position where making relatively small savings will be insufficient and larger scale schemes will need to be developed

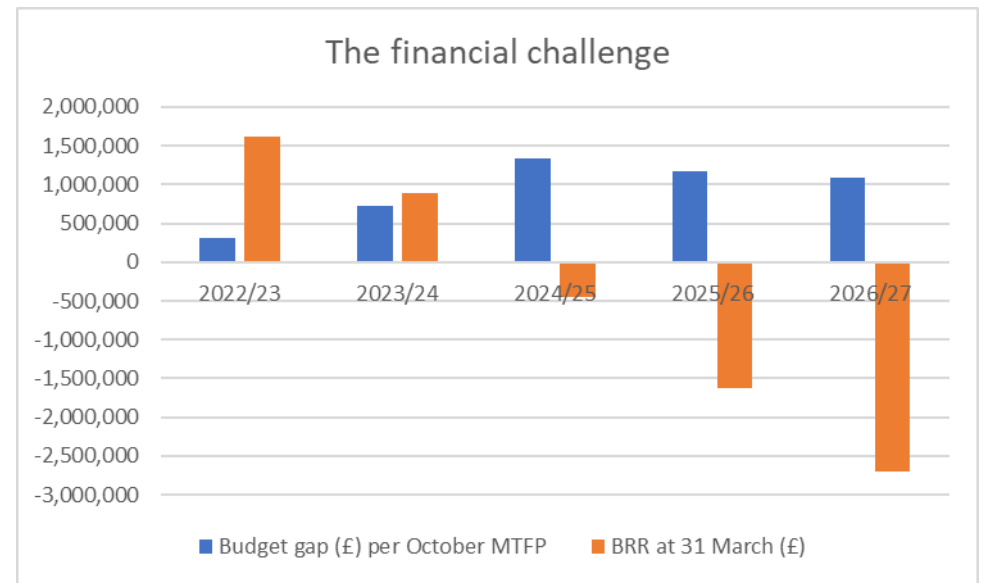
The Authority plans to use the Budget Reduction Reserve of £2,056k to address the short term deficit, but has two years to achieve £1m a year recurring savings. This is a reasonable approach, recognising the changing picture. For example, the Council Tax referendum threshold has been increased by 1%, giving the Authority the potential for an additional £250k per annum, with the possibility that it could be raised still further. However, this represents a weakness in arrangements and we have made an Improvement Recommendation. See page 10.

While the Authority is not particularly affected by demand driven costs, the MTFP and budget did reflect the impact of increased costs in relation to pay, road fuel and energy costs at the time.

### Bridging funding gaps

The Budget and Precept 2022/23 and Medium-Term Financial Plan presented to Full Authority on 15 February 2022 showed planned use of the Budget Reduction Reserve across all three years, to 2024/25, totalling £675k. At this point the balance was expected to be around £800k. This included an estimated £400k in 2024/25 arising from the estimate of increased employer contribution rates for fire-fighter pensions. The MTFP explains that, at the last revision government provided additional funding, none is yet assumed although closer to 2024/25 there will be a better indication of this cost, and any funding. Without this the budget would be balanced. The Authority has therefore been waiting for clarity on the long term funding package, including the Comprehensive Spending Review, before identifying further savings. However, planned use of reserves to invest to improve services means that, in the event that further costs are not funded by government, the Authority will only have sufficient earmarked reserves for a couple of years. The MTFP presented in February 2022 showed planned use of expenditure reserves through to March 2023 of around £11m, reducing reserves from £11.5m to £0.8m. Total Earmarked Reserves were planned to reduce from £13.26m to £2.9m over the same period. As noted on the previous page, use of reserves to balance the budget is now expected to be much higher and urgent action is now needed to ensure a balanced budget.

The HMICFRS report from December 2021 stated that, although not an "Area for improvement", "the service could take more action to develop and consult on the range of potential savings and investment opportunities to deal with financial uncertainties. The service makes limited use of scenario planning for future spending reductions." As we have reported, the Authority needs to develop further savings schemes that could be used to offset unexpected costs or if future government funding does not meet needs.



The chart above shows the probable financial position based on the MTFP from October 2022.

The chart illustrates the need for the Authority to bring forward new savings plans urgently.

## Bridging funding gaps (continued)

The Authority consults appropriately with stakeholders. For example, at Full Authority, on 15 February 2022 the "Attendance Performance Measure" report is seeking permission from the Fire Authority to undertake public consultation on a new Service Attendance Performance Measure as outlined in the 2021-25 Community Risk Management Plan (CRMP). The Policy & Resources Committee, on 26 January 2022 received a paper "Update on progress with the Invest to Improve programme" which included consultation with staff.

Policy & Resources Committee receives quarterly financial monitoring reports. While these reports do not report savings specifically against individual schemes, we have reported previously, for example in our 8 October 2020 Audit Findings Report, that there are currently no new schemes in place. Full Authority meetings are updated on progress in delivering priority projects developed by the Strategic Fire Alliance between Hereford & Worcester and Shropshire Fire and Rescue Services. While budget monitoring and reporting process is appropriate at this stage, the Authority should consider reporting separately on progress against significant saving schemes if and when these are developed. This is an area for improvement. See page 11.

## Sustainable service delivery

The Fire & Rescue Service carries out its duties under the Fire and Rescue Services Act 2004 in relation to fire prevention, fire safety, firefighting and rescues, including emergencies such as road traffic collisions and flooding events. Unlike local councils, there aren't any discretionary services that have a net negative financial impact - the additional services provided are designed to be revenue generating - such as working with other blue light services.

The Community Risk Management Plan for 2021-25 sets out six key areas for focus, and underlying activities. The HMICFRS report from December 2021 identifies an "Area for Improvement" that *"The service needs to show a clear rationale for the resources allocated between prevention, protection, and response activities. This should reflect, and be consistent with, the risk and priorities set out in its CRMP". The report states "The service doesn't have a workforce plan that is designed to make sure it has the staff to meet the risks identified in the CRMP. Also, there is no linkage between the budget and medium-term financial plan (MTFP) to provide the CRMP.*

*The way the service allocates resources to prevention, protection and response functions is mainly based on previous funding allocations. This is affecting the service's ability to deliver its responsibilities in these areas, as reflected in the section on effectiveness (page 7) in this report. There is limited performance management oversight of important functions. So the service isn't evaluating activity to make sure it is sufficiently staffed to deal with the priorities in the CRMP."*

'In the "Improvement Plan 2021-22 Updated: May 2022", presented to Full Authority on 22 June 2022, the response to this area for improvement includes nine actions to be completed at various stages during 2022/23. Ensuring there is a coherent link between stated corporate strategic priorities and the design of the budget is an area for improvement. See page 12.

Use of capital resources supports corporate strategic priorities, for example, including new fire stations at Hereford, Redditch, and Broadway. These developments have been planned for several years and the Authority has had to overcome a number of obstacles and liaise with a number of different partners to ensure they will eventually come to fruition.

## Consistency with other plans

The People Strategy 2022 – 2025 sets out five aims which are intended to support the delivery of the Authority's overall strategic priorities. However, the HMICFRS report from December 2021 reports *"The service doesn't have a workforce plan that is designed to make sure it has the staff to meet the risks identified in the CRMP. Also, there is no linkage between the budget and medium-term financial plan (MTFP) to provide the CRMP."* To address this "Area for Improvement", the Authority's Improvement Plan, identifies three actions, all of which are expected to be completed in the second half of 2022/23.

The Authority has put in place actions to address the HMICFRS "Area for Improvement", and the budget includes appropriate staff costs.

The Authority has clear policies for the contribution of treasury management as part of its financial plan, which are clearly set out in the annual budget setting report. The approach prioritises security rather than return. There is no short term borrowing. Funds are invested through Worcestershire County Council.

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## Managing risk to financial resilience

The main way that the Authority mitigates financial uncertainty is through the reserves it holds. There are around £13.7m of earmarked reserves as at 31 March 2022, with a plan as at February 2022 to reduce these to around £3m by 31 March 2025. Of this usage, around was £0.7m is through the Budget Reduction Reserve, and the rest is investments to services in accordance with the purpose of the individual reserves. The Budget Reduction Reserve is used to smooth the revenue impact of uncertainty. As noted on page 6, the BRR is now forecast to be used much more quickly, and this represents an area for the authority to focus on.

The Authority updates financial plans to reflect changes in government policy, for example funding the Employers National Insurance increases.

## Conclusion

The Fire Authority has a long track record of setting prudent budgets, which have been delivered, usually with an in-year surplus. This has allowed significant reserves to be built up, some of which have been earmarked to smooth short term financial pressures. Since February 2022 however, significant macro economic events and changes have meant that the previous financial plan has had to be revisited. This has resulted in significantly deeper and earlier use of reserves in order to prepare a balanced budget. As a result, the Fire Authority needs to identify and deliver around £1m of recurrent savings within the next two years. It cannot rely on additional government funding, or significant increases in council tax, although the threshold for increasing council tax at which a local referendum would be required has recently increased. Hard decisions will be needed, and the resulting actions will undoubtedly take a long time to implement. As a result urgent action is needed, and we have identified this as an improvement area.

# Improvement recommendations



## Financial sustainability

**Recommendation 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.

### Why/impact

In February 2022 the planned use of the Budget Reduction Reserve across all three years of the Medium Term Financial Plan totals £675k. At this point the balance was expected to be around £800k. However, changes at a national level, outside the control of the Fire Authority, have meant that the MTFP has been updated in October 2022, and now shows potential budget deficits of £309k in 22/23; £729k in 23/24; £1,344k in 24/25; £1,168k in 25/26 and £1,081k in 26/27. The Authority plans to use the Budget Reduction Reserve of £2,056k to address the short term deficit, but has two years to achieve £1m a year recurring savings.

### Auditor judgement

While there is still significant uncertainty around future funding from central government, the Authority needs to ensure that it is in a position where viable, worked up savings plans are in place to ensure long term financial sustainability, irrespective of government funding.

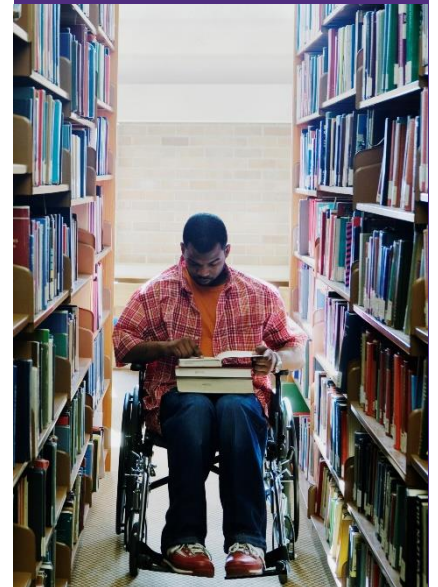
### Summary findings

The Authority has a long track record of delivering against budget and building up reserves. However, this alone will not now ensure long term financial viability.

### Management comments

The financial position is always under review. The Authority will develop plans that balance the financial resources against the needs of the communities. The recent changes to potential financing have improved the financial position considerably and the MTFP to be approved in Feb 2023 may look significantly different. Areas of saving that had been considered may now, potentially, be used for service improvements rather than as pure savings.

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



# Improvement recommendations



## Financial sustainability

### Recommendation 2

The Authority should consider reporting separately on progress against significant saving schemes when these are developed.

### Why/impact

We have made a key recommendation around the Authority developing new savings schemes. While budget monitoring and reporting process is appropriate at this stage, the Authority should consider reporting separately on progress against significant saving schemes so that Members are fully sighted on progress.

### Auditor judgement

Reporting separately on savings delivery, particularly for significant schemes, allows Members to be fully sighted on progress and work with Officers to address any delays. Timely delivery of agreed savings schemes will be essential to avoid excess use of reserves to support ongoing expenditure.

### Summary findings

Current reporting to Members is appropriate, but should be enhanced to include progress against major savings schemes once these are agreed and incorporated into the budget.

### Management Comments

This is very much linked to the response to recommendation 1. The approach has been used successfully for monitoring of HMICFRS recommendations Areas for Improvement (AFI) and it is highly probable it will be used in the circumstances outlined.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 3

The Authority should ensure there is a coherent link between stated corporate strategic priorities and the design of the budget.

### Why/impact

The Community Risk Management Plan (CRMP) for 2021-25 sets out six key areas for focus, and underlying activities. However, when setting the annual budget, or agreeing the Medium Term Financial Plan, the links to the CRMP are unclear. This means that it is difficult for Members and the public to see how resources are being spent in order to deliver strategic priorities.

### Auditor judgement

Improving linkages between these three key documents will increase clarity and transparency around how public money is being spent to deliver corporate priorities.

### Summary findings

As resources become increasingly tight it is essential that the Authority is able to clearly demonstrate how they are being allocated to deliver corporate objectives as effectively and efficiently as possible.

### Management Comments

Since the production of the current CRMP the Service has adopted the three key Strategies: Prevention, Protection & Response, and HMICFRS have already identified that there should be a more overt link between the allocation of resources between these areas as an Area for Improvement. The service has added to this the fourth area of Support. The treasurer is jointly leading an NFCC-FCC/FFN project to standardise a methodology to allocate and apportion resources and an initial resource allocation model has been produced. This will be refined with partners in the group before being rolled out further.



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

# Governance



## We considered how the Authority:

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

## Risk management and internal control

Because of the nature of the services the Fire Authority provides, it takes risk management extremely seriously, both in operational and non-operational aspects. 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 Senior Management Board (SMB) meeting at the end of each quarter and is collectively owned by SMB. There is an annual risk management report to Audit & Standards Committee. We have reviewed the scoring mechanism, and the score assigned to each risk, and are satisfied that the approach is reasonable.

Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS). From review of internal audit work, and attendance at Audit & Standards Committee, we can confirm that internal audit is adequate and effective. The Audit & Standards Committee receives update reports at each meeting, and these summarise the key messages and conclusions, providing sufficient assurance to enable it to assess whether internal controls have operated as expected.

## Annual budget setting process

The annual budget is based on expenditure plans, for example training and investment to improve services. Demand is largely driven by circumstances outside the Authority's control, for example flooding or dry summers, which drives activity and therefore cost. The Authority does look at the longer term when developing the CRMP, for example, the number of appliances at certain fire stations, and the longer term trajectory of incidents, such as house fires.

The HMICFRS report made an "Area for Improvement" - "The service needs to show a clear rationale for the resources allocated between prevention, protection, and response activities. This should reflect, and be consistent with, the risk and priorities set out in its CRMP." The Authority response highlights nine actions to address this point, which will be implemented throughout 2022/23.

## Budgetary control and financial reporting

Budget-holders have access to real time financial management information. The nature of the budgets means that there are few for which profiling is relevant and whilst this is done and used to an extent most of the spending decisions are based on the remaining availability of funding. Budget holders are able to meet with finance colleagues to discuss any issues.

Quarterly financial monitoring reports to Policy & Resources Committee demonstrate that in year forecast variances are being picked up promptly, and budget holders are being held to account for delivering to budget and/or developing adequate mitigating action. These are clearly reported to the Committee, with the larger variances explained in the main report, and each variance shown in the detailed appendix. Where changes to the budget are required these are clearly reported, and changes shown and tracked through.

Costs are largely fixed - for example, staff, fire stations and appliances - the level of activity - attending fires or road traffic accidents for example - has little impact on costs. Quarterly performance reports include appropriate non financial, including workforce, information.

Treasury management activity is reported quarterly to Policy & Resources Committee. Reporting covers investments and borrowing, clearly explaining that the approach is focuses on security rather than returns, and that funds are invested via Worcestershire County Council.

### Making properly informed decisions

Key decisions are made by the Full Authority or Policy & Resources Committee, with all relevant documentation being made available. For example, the Full Authority meeting on 15 February 2022 when the revised Attendance Performance Measures were discussed. There are also frequent property service updates covering the sale of former fire stations and the building / redevelopment of new ones.

Service user (public) feedback is obtained and taken into account as appropriate. For example, in relation to proposed changes regarding the staffing of fire stations, and the CRMP is subject to public consultation. More recently, the Policy & Resources Committee on 26 January 2022 received an update on progress with the Invest to Improve programme, highlighting the extent of consultation with staff, and Full Authority on 15 February 2022 received a report setting out public consultation on the proposed Attendance Performance Measure changes.

Decision making is designed to ensure that appropriate levels of service provision can be maintained, while recognising the changing workload (fewer house fires for example). In recent years there have been some changes to the crewing arrangements at a number of fire stations to reflect demand, and also to free up resources which can be used elsewhere or saved.

From attendance at Audit & Standards Committee we have seen that Members are well informed and ask appropriate questions of officers. Members are supportive of officers, but also challenging. The Committee is comprised a number of portfolio holders from Worcestershire County Council, and is of high quality.

### Ensuring appropriate standards

The Authority has an experienced Monitoring Officer who oversees compliance with legislation and regulatory standards. The Service has a very clear set of values, which were wholly derived from staff input, they are widely understood through the organization. These are available on the Authority webpage. In addition the Service has a clear Code of Ethics which applies to everyone and a track record of identifying and dealing with any aberrations.

On 20 April 2022 the Audit & Standards Committee received a paper setting out proposals to adopt the national fire authority code of ethics. The proposals were supported, which means that the Authority is ensuring best practice is adopted.

Compliance with legislative / regulatory requirements is embedded within the Authority - driven by the nature of the core services provided. The culture within the Authority is one of compliance, and there is an excellent culture.

However, the HMICFRS report noted *"During our inspection many members of staff told us of a continued lack of visibility of senior managers. This was particularly evident during the service's management of change processes. We found that there had been limited progress on the area for improvement from our last inspection in 2018, in relation to effective two-way communication between senior leaders and staff. Senior managers in the service recognise that there is a lot more to do in terms of improving organisational culture. However, we did find staff were optimistic that the newly appointed chief fire officer (in post from 1 April 2021) will improve the culture of the service."* The report made an "Area for Improvement" - *"The service should assure itself that senior managers are visible and demonstrate service values through their behaviours."* The Authority has responded with seven proposed actions, to be implemented over the period to Q2 2023/24.

The Authority has appropriate policies and arrangements in place around gifts and hospitality and for officers and members to make declarations of interest.

# Improving economy, efficiency and effectiveness



## We considered how the Authority:

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

## Use of financial and performance information

Policy & Resources Committee receives quarterly performance reports which clearly set out performance in key areas and the direction of travel. In September 2021 these reports were revamped - "Future quarterly performance reporting will be aligned to the new Service core and enabling strategies and key performance indicators". There was recognition that existing reports "shows the Service performance against a wide range of performance output indicators, which are largely historical and the definitions relate to performance indicators from several decades ago. There is no defined link to the Community Risk Management Plan (CRMP), Medium Term Financial Plan (MTFP) or Service Strategy. Whilst this provides a large amount of data, it is not necessarily as helpful as it might be in assisting Members to focus on the Authority's key priorities and hold Officers to account." However, the report doesn't include targets, which would be helpful. This is an area for improvement. See page 18.

Assurance over the accuracy of the performance data is provided by the Performance & Information department. The Authority has robust arrangements in place to ensure that performance reporting to Members is accurate and underpinned by reliable information. The Authority works with others to learn from them and identify areas where it can improve its own performance. For example, the West Midlands Fire Service Peer Review Report of the Cause of Concern Action Plan.

The Authority has appropriate arrangements in place to follow up on improvement recommendations made by HMICFRS and to report progress quarterly to Members.

Progress reports include an explanation that "The delivery of the Improvement Plan is overseen by members of the Performance and Information (P&I) team, who meet regularly with senior managers responsible for each Area for Improvement to prepare updates on actions proposed and completed. The P&I team also ensure that actions carried out are fully evidenced and available for evaluation and audit." This means that Members are able to rely on the progress being reported.

## Evaluating services

There are no national response standards against which the Authority can benchmark its performance for the public, but it has set out its own response standards in its CRMP. These standards are outdated, and the Authority is to consult with the public over new ones.

The Fire has a history of tackling areas where it believes savings can be made, without comprising service delivery - for example - review of the number of fire appliances at stations, review of the number of fire fighters required on appliances, review of crewing patterns. Strategic priorities are reviewed and refreshed through the CRMP.

The HMICFRS report states *"The service has made savings and efficiencies, which haven't affected its operational performance and the service it provides to the public. The service is taking steps to make sure that important areas, including estates and procurement, are well placed to achieve efficiency gains through sound financial management and best working practices. For fleet procurement, the preferred method is using frameworks to make sure that the service gets best value for money. It is investing in future innovation in the form of smaller fire engines to improve efficiency and effectiveness."*

## Partnership working

The Authority works effectively with partners. The HMICFRS report states "The service works closely with other enforcement agencies to regulate fire safety and routinely exchanges risk information with them. For instance, the service:

- works as a main partner in the MATES (Multi-Agency Targeted Enforcement Scheme) partnership. This partnership aims to improve community safety and brings together a wide range of different enforcement agencies such as Herefordshire Council Trading Standards and the Gangmasters and Labour Abuse Authority;
- carries out joint fire safety inspection and enforcement activity with local authority property enforcement officers; and
- is an active and valued member of the Herefordshire and Worcestershire safety advisory groups, working together to make sure members of the public are safe at sporting and community events."

The Authority works in close partnership with West Mercia Police and Shropshire Fire and Rescue. The "Strategic Fire Alliance Board Update" report to Full Authority on 13 October 2021 sets out progress against the four priority projects developed with Shropshire Fire & Rescue Services. For each project a working group has been set up. The report provides an appropriate level of detail for Members.

While there is no evidence of significant loss or failure to deliver the expected benefits of partnership working, the HMICFRS report states "We are pleased to see the service meets its statutory duty to collaborate, and routinely considers opportunities to collaborate with other emergency responders. The service now shares a headquarters with West Mercia Police, and a joint police and fire station at the Wyre Forest Hub. However, the service couldn't fully quantify the financial benefits of this collaboration work...The service has also committed to a strategic alliance with Shropshire Fire and Rescue Service. They are working together on the four main aims: procurement, fire control, information and communications technology (ICT) and joint development of the services' separate CRMPs.

The alliance has made some progress in the joint procurement of vehicles and equipment. But, again, there has been limited evaluation of the financial benefits of this collaboration. Both services worked closely together in the formulation of their new CRMPs, which were published on 1 April 2021. There has been limited improvement regarding ICT and fire control.

During our 2018 inspection, we found that the service didn't comprehensively monitor, review and evaluate the benefits and outcomes of its collaborations. Disappointingly, this is still the case."

The report made an "Area for Improvement" - "The service should ensure it effectively monitors, reviews and evaluates the benefits and outcomes of any future collaboration." The Authority response includes five actions, to be completed by the end of 2022/23.

## Commissioning services

In line with the National Framework, the Authority uses a hierarchy of procurement approaches, looking to national contracts where they exist and then to regional contracts down to collaboration under the Fire Alliance before seeking to procure alone. The Authority has a Procurement Specialist who ensures that processes are run in accordance with Public Procurement Regulations.

The HMICFRS report states "The service has made savings and efficiencies, which haven't affected its operational performance and the service it provides to the public. The service is taking steps to make sure that important areas, including estates and procurement, are well placed to achieve efficiency gains through sound financial management and best working practices. For fleet procurement, the preferred method is using frameworks to make sure that the service gets best value for money. It is investing in future innovation in the form of smaller fire engines to improve efficiency and effectiveness."

Key services are provided in-house, with little outsourcing. This is as expected given the nature of the services provided.

Our 2020/21 Audit Findings Report on the financial statements audit included a recommendation regarding the process for obtaining property valuations from the external valuer at West Mercia Police. While the issues were resolved, the audit completion was delayed.

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The HMICFRS report notes that arrangements with the new valuer could be tighter -  
*"Following the end of the service's participation in the Place Partnership Project, it is to procure the services of the West Mercia police and crime commissioner for the provision of property management. The agreement was due to start on 1 April 2021. However, when we reviewed the agreement, it didn't contain key performance indicators or standards of service. The service should assure itself that it is getting best value for money and service levels from this service agreement."*

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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 4

The Authority should consider including targets for key performance indicators in the quarterly performance reports.

## Why/impact

The Authority has taken steps over the last year to improve performance reporting to Members, but there is still scope to further enhance this by including agreed targets. This will allow Members to see whether targets are being achieved, and whether any corrective action is required. Having performance indicators without targets does not provide a full picture.

## Auditor judgement

Having performance indicators without targets does not provide a full picture.

## Summary findings

The Authority has recognised that performance reporting needed to be improved, and has taken steps in the right direction. However, reporting could be further enhanced with the use of agreed targets and a narrative explanation of action being taken where they are being missed.

## Management Comments

The Authority values the importance of data and performance reporting. The core Strategies, founded to support delivery of the Community Risk Management Plan, have been developed to include key performance indicators. To further enhance quarterly performance reporting, targets for key performance indicators will be included and progress reported as necessary.



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

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# Climate change

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## Responding to the challenge

The Fire Authority has not declared a climate change emergency, but the CRMP 2021-2025 includes a number of references to "environmental sustainability". Officers are aware of the challenges around old fire stations, which are not well insulated, and the need to ensure the vehicle fleet is updated to support the environmental sustainability agenda. The Environmental Sustainability Plan, published in February 2021, sets out the challenge and planned response.

The Fire Authority has received a government grant in order to undertake surveys of all buildings. The fire stations present particular problems as many of them are not used for more than a few hours a day, so installing LED lighting, for example, is not cost effective. Indications from the surveys are the best approach is to improve insulation first, and then lower the temperature to which the fire stations are heated. There are no electric fire engines currently produced - there are significant challenges around battery capacity and the resilience of fuel supply. The Fire Authority is purchasing other electric vehicles where this is appropriate and cost effective.

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	Management ensures that it robustly challenges and checks the data provided by external valuers to ensure the right information is presented in the financial statements.	Improvement	January 2022	Our work in this area of the financial statements is ongoing. However, we have seen evidence that officers have challenged the initial values provided to them by the valuer, and they were amended as a result, before inclusion in the financial statements.	Yes	No
2	Management ensures that it develops an action plan to respond to the recommendations raised in the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) 2021/22, Effectiveness, Efficiency and People report, and monitors and reports its progress made on the recommendations to members.	Improvement	January 2022	The Authority has developed a comprehensive improvement plan for each area of improvement reported by HMICFRS. Progress is reported to Full Authority.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

Subject to the satisfactory completion of our work on your financial statements, we intend to provide an unqualified opinion on the Authority's financial statements shortly after the Audit & Standards Committee on 18 January 2023. We issued the audit opinion on the 12 December 2023.

## Audit Findings Report

More detailed findings can be found in our AFR, which is published and reported to the Authority's Audit & Standards Committee alongside this report on 18 January 2023.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We have no matters to report.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts

The key issues arising to early December were around understanding the approach taken by the valuer to property and land valuations. This is the first year that the West Mercia Police and Crime Commissioner has undertaken the valuations in their entirety, hence there were some changes in approach. The financial statements were updated for IAS19 Triennial Valuation data as at 31 March 2023, which resulted in material amendments to the financial statements.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices

# Appendix A – Responsibilities of the Authority

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

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

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

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

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

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



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

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness, see pages 6 to 9 for more details.	We reviewed the long term plans to ensure a balanced budget can be achieved without the need to use reserves.	The Authority has not developed any new, significant savings schemes for a number of years. Increasing cost pressures have now increased the urgency required to ensure that a balanced budget can be achieved without the need to use unsustainable levels of reserves. If these require changes to services it is likely to result in a considerable “lead in” time with appropriate consultation being undertaken. Given recent macro economic changes, action is now needed, although that is challenging owing to changes and developments at a national level.	Appropriate arrangements are in place, but three improvement recommendations raised.

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	Yes	10,11, 12 & 18

# Appendix D – Overview on progress reported against HMICFRS recommendations

The tables below summarise progress against the improvement recommendations raised by HMICFRS in their report on the Authority from December 2021. Information is taken from the update report to Full Authority in June 2022.

Area for Improvement - Effectiveness	Number of actions	Complete	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	23/24
The service should ensure that the aims and objectives of prevention, protection and response activity are clearly defined in its Community Risk Management Plan (CRMP).	5	3	0	0	2	0	0
The service should ensure its firefighters have good access to relevant and up-to-date temporary risk information.	4	0	0	2	1	1	0
The service should evaluate its prevention work so that it understands what works.	7	5	0	0	1	1	0
The service should ensure that it has an effective quality assurance process in place, so that staff carry out audits to an appropriate standard.	5	1	1	1	0	1	1
The service should assure itself that its use of enforcement powers prioritises the highest risks and includes proportionate activity to reduce the risk.	4	1	0	1	1	1	0
The service should ensure it effectively addresses the burden of false alarms.	1	0	0	0	1	0	0
The service should ensure its Response Strategy provides the most appropriate response for the public in line with its Community Risk Management Plan (CRMP).	7	3	1	1	0	1	1 Unknown
The service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command.	7	0	0	3	3	1	0
The service should ensure it understands what it needs to do to adopt national operational guidance, including joint and national learning, and put in place a plan to do so.	4	0	0	1	2	0	1 Q3 24/25
The service should ensure it is well-prepared to form part of a multi-agency response to a terrorist incident, and its procedures for responding are understood by all staff and are well tested.	5	0	1	1	3	0	0

# Appendix D – Overview on progress reported against HMICFRS recommendations

Area for Improvement - Efficiency	Number of actions	Complete	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	23/24
The service needs to show a clear rationale for the resources allocated between prevention, protection, and response activities. This should reflect, and be consistent with, the risk and priorities set out in its CRMP.	9	0	3	2	1	3	0
The service should ensure there is a testing programme for its business continuity plans, particularly in high-risk areas of service.	3	1	1	1	0	0	0
The service should ensure it effectively monitors, reviews and evaluates the benefits and outcomes of any future collaboration.	5	0	0	1	1	2	1 Ongoing
The service should ensure that its fleet and estate strategies are regularly reviewed and evaluated to maximise potential efficiencies	2	0	0	2	0	0	0

# Appendix D – Overview on progress reported against HMICFRS recommendations

Area for Improvement - People	Number of actions	Complete	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	23/24
The service should assure itself that senior managers are visible and demonstrate service values through their behaviours.	7	2	1	1	1	2	0
The service should monitor secondary contracts to make sure working hours are not exceeded.	3	0	0	2	0	1	0
The service should make sure it has a robust system in place to update and review its operational incident (analytical) risk assessments.	3	0	0	2	1	0	0
The service should ensure itself that records for risk critical competencies, such as breathing apparatus, driving fire engines and incident command are accurate and up to date.	3	0	0	2	1	0	0
The service should ensure its workforce plan takes full account of the necessary skills and capabilities to carry out the Community Risk Management Plan.	3	0	0	0	2	1	0
The service should make sure it has appropriate ways to engage with and seek feedback from all staff, including those from under-represented groups.	1	0	0	1	0	0	0
The service should improve all staff understanding and application of the appraisal review process.	5	0	2	2	1	0	0
The service should make sure it has mechanisms in place to manage and develop talent within the organisation.	7	0	0	5	1	1	0

