



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

ANNUAL AUDIT AND INSPECTION LETTER

Report of the Chief Fire Officer

Agenda Item No:

Date: 4 April 2008

Purpose of Report:

To present to Members the External Auditors' annual audit and inspection management letter.

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1. BACKGROUND

1.1 The Annual Audit and Inspection Letter (attached here at Appendix A) encompasses a number of issues which the Auditors are required to report on. They are :

An assessment of how the Service is performing:

- Direction of travel report
- Service assessment

The audit of accounts and value for money:

- Report to those with responsibility for governance
- Use of resources judgements
- Financial standing

1.2 The Auditors' letter sets out in detail their findings and conclusions relating to the above issues and these will be discussed at the meeting. The External Auditors will be present at the meeting to discuss their letter.

2. REPORT

2.1 In terms of direction of travel, the Auditors are required to assess how well the organisation has performed and improved since the last inspection. They have assessed the Authority as improving adequately, however the detail of their report indicates that Nottinghamshire is a generally high performing Authority, but some of the performance indicators have had a negative impact on overall scores.

2.2 This needs to be viewed with some caution due to the basis of presentation of these indicators changing during the year, with the deprivation factors previously applied to Nottinghamshire being adjusted. This has meant that comparators with other authorities do not look quite so good year on year.

2.3 Key to the direction of travel assessment is the Auditors' view of the Authority's potential to improve. This is particularly relevant given their observations about working relationships and leadership in their previous report. In this report they comment that:

“Arrangements for securing continuous improvement are significantly more robust since the last assessment. The issues of working relations and leadership are resolved.

A new management team is in place and is firmly committed to the vision ‘to create a safer Nottinghamshire’. Human resources arrangements are strengthened and grievances and discipline cases are now very low in number”.

as well as setting out in one of their key messages that:

“The new management team is providing clear leadership and direction”.

- 2.4 They further comment that the Authority “is therefore in a strong position to make further improvements” which means that overall this is a very positive report despite the overall assessment being “adequate”.
- 2.5 The use of resources element of the assessment is probably the area where Members of this Committee will be most interested to note that the Auditors’ assessment has risen from a “2” (performing adequately) to a “3” (performing well). This is particularly pleasing given that the 2007 assessment was referred to by the Audit Commission as “the harder test”.
- 2.6 There are a number of areas where improvements are required and clearly to achieve a level 4 will present a significant challenge. The priorities must be to seek to improve in the two areas which have been assessed as level 2, whilst seeking to maintain and improve those areas rated at level 3.
- 2.7 The Auditors have been helpful in providing some guidance on areas to be improved which include seeking to further embed risk management throughout the Authority and strengthen the delivery of core functions by the Audit Committee.
- 2.8 The value for money assessment has been hampered by the poor performance indicators referred to above, but also by a lack of cost benchmarking taking place across the Fire and Rescue Service in general. Nottinghamshire offered to assist in the development of benchmarking tools nationally and have attempted to promote benchmarking regionally, but with little response from other potential participants. Whilst efforts will continue in this area the focus of value for money activity will be on the evaluation of outcomes from high areas of investment. This is the subject of a report to Members elsewhere on this agenda.
- 2.9 Although the majority of the Auditors’ letter is taken up with the various assessments they are required to carry out, the report also makes reference to the fact that an unqualified opinion has been given on the accounts and confirms that the Best Value Performance Plan has been audited.
- 2.10 The full Annual Audit Inspection Letter is attached at Appendix A to this report.

3. FINANCIAL IMPLICATIONS

There are clearly financial implications within any External Audit report, but these relate to the management arrangements of the Authority and are set out in full in the report and the Auditors’ Management and Inspection Letter.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for human resources or learning and development arising from this report.

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment has been undertaken and is attached as Appendix B.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. RISK MANAGEMENT IMPLICATIONS

- 7.1 The external auditors carry out their work within a framework of risk management and also comment upon the arrangements for risk management within the Authority. To this extent the Auditors form a significant part of the Authority's risk control model in terms of their independence.
- 7.2 In addition, as referred to above the Auditors' views form a major part of the Authority's CPA assessment which enables some basic mean by which to benchmark performance and measure progress.

8. RECOMMENDATIONS

That Members note the contents of the External Auditors' Management and Inspection Letter.

9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

APPENDIX A

Annual Audit and Inspection Letter

**Nottinghamshire and City of Nottingham Fire and
Rescue Authority**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

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Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 The main messages for the Authority included in this report are as follows.
 - Nottinghamshire Fire and Rescue continues to make improvement in its priority areas and is securing outcomes that are important to local communities.
 - There is strong commitment to improving access to services and developing a much greater understanding of the communities served, through more extensive partnership working. There is a strong emphasis on community safety, focusing on the more vulnerable.
 - The Service is performing adequately overall in the planning and delivery of emergency response.
 - While there is a good track record of improvement over the medium term, performance is still below average in some key areas. Performance is poor for two of the service PIs, although there is evidence of improvement. There has been a welcome reduction in staff sickness levels, reflecting the work done in this area, but there is some way to go to reach even average levels.
 - Overall costs are below average and performance in relation to value for money is adequate. Benchmarking of both costs and performance is improving, but not yet systematic.
 - The new management team is providing clear leadership and direction. Corporate systems such as financial, performance and risk management and governance remain fit for purpose.
 - The Authority's arrangements for financial reporting, management, maintaining financial standing and internal control continue to be strengthened and are generally sound. Deadlines for production of the accounts and the issue of the audit opinion were both met despite the major accounting changes required.
 - The Authority's overall financial position remains satisfactory and is underpinned by a sound budgeting framework. In 2007/08 the latest budget projection is an underspending of £0.619m.

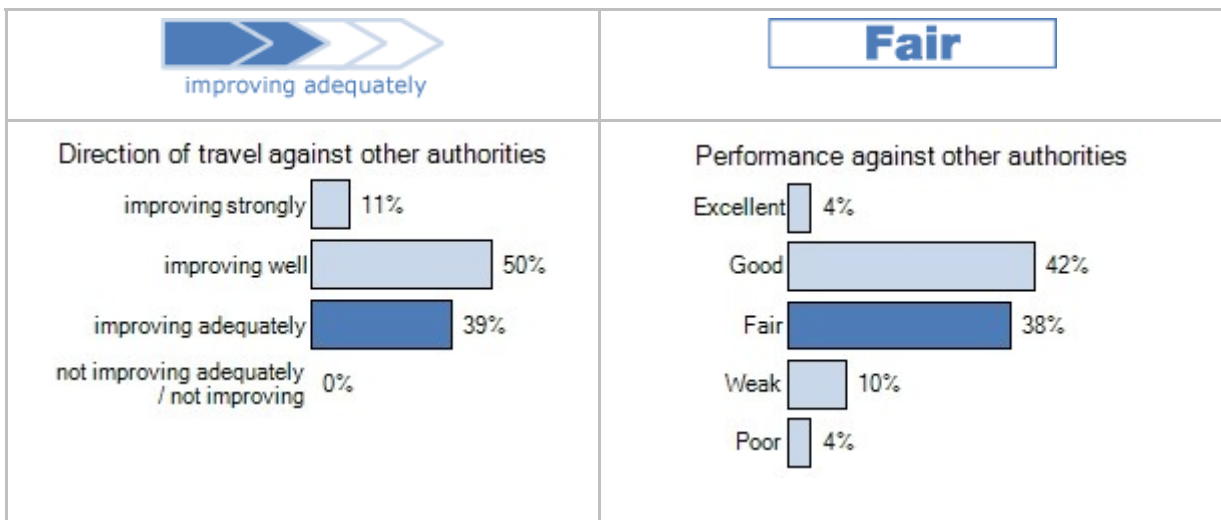
Purpose, responsibilities and scope

- 2 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the most recent Comprehensive Performance Assessment (CPA) and Direction of Travel review and from the findings and conclusions from the audit of the Authority for 2006/07.
- 3 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities.
- 4 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. [In addition the Authority is planning to publish it on its website].
- 5 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Authority's accounts;
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 6 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report. It summarises the key issues arising from the CPA.
- 7 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

How is Nottinghamshire Fire Authority performing?

- 8 The Audit Commission’s overall judgement is that Notts Fire Authority is improving adequately and the Authority was assessed as Fair in the Fire and Rescue Comprehensive Performance Assessment (CPA) carried out in 2005.
- 9 The CPA assessed authorities on their corporate management, their achievements, community fire safety and how they planned to respond to incidents through their Integrated Risk Management Plan (IRMP). It did not consider tactical management of emergency response. The following chart shows the latest position across all Authorities. We are now updating these assessments, through an updated corporate assessment, in authorities where there is evidence of change.

Figure 1 Overall performance of authorities in CPA



Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis

Source: Audit Commission.

The improvement since last year - our Direction of Travel report

Improving outcomes

- 10 Nottinghamshire FRA is maintaining an adequate record of improvement in its priority areas and is improving outcomes that are important to local communities.
- 11 Performance is generally good in the local context of high levels of deprivation (ninth worst nationally). Local communities are clearly satisfied with the way the fire service is performing – a recent independent survey identified satisfaction levels amongst the highest in England at 66 per cent.
- 12 The FRA is committed to improving community safety, particularly fire safety in the home. For example, firefighters have carried out approximately 20,000 home fire risk assessments (HFRAs) and fitted about the same number of smoke detectors. This number is above average and is targeted at higher risk households. It is having beneficial impact, for example, performance continues to improve in relation to accidental dwelling fires which have dropped 11 per cent in 2006/07 and are equal to the best. Non domestic fires have also reduced and are better than average.
- 13 Performance related to fitting and effectiveness of smoke alarms is generally good. The number fitted is above average, the number of alarms which did not activate at fires attended is best quartile and improving, and the number fitted which did activate at fires although below average, is improving.
- 14 There is more mixed performance reflected in some performance indicators.
 - Primary fires have improved significantly with a reduction of more than 50 per cent over three years, but are still in the worst quartile.
 - The number of fire related casualties is above average and increased last year, but injuries have reduced almost 50 per cent over three years. Data (unaudited), for the first half of the current year indicates a further significant reduction.
 - The percentage of people escaping from fires and fires confined to the room of origin are below average and deteriorating.
- 15 Performance in relation to arson is also mixed. Last year, deliberate secondary fires were worst quartile, and deteriorating, and deliberate primary fires are also worst quartile, but improving. However, data (unaudited), for the first half of the current year indicates a significant reduction in secondary fires indicating a quartile improvement.
- 16 Performance in relation to malicious false alarms (MFA) and automatic fire detectors (AFDs) is mixed. The number of AFD calls is higher than average, but improving and the number of MFAs is amongst the lowest, but the proportion attended is amongst the highest (though reducing). This is important as these nuisance calls detract from community safety work.

8 Annual Audit and Inspection Letter | How is Nottinghamshire Fire Authority performing?

- 17 The FRA continues to make an effective contribution to wider community outcomes. It is involved in a wide and increasing range of community initiatives related to young people, antisocial behaviour, improving road safety and environmental improvements. Examples include an effective schools education programme - Risk Watch – carried out by firefighters including the retained. It is delivered to children at key stage 1 – 5. It is important as it puts safety issues firmly on the curriculum and is carried out with other partners. Prince's Trust and project Bendigo are aimed at developing personal confidence and citizenship. BRAKE and Impact road shows are aimed at improving road safety, which is a key issue in Nottinghamshire with 200 deaths per year.
- 18 The FRA is committed to improving the environment. Firefighters are involved in action days, and in removing abandoned vehicles which is leading to less vehicle fires. New FRA premises incorporate features such as grey water systems to reduce environmental impact.
- 19 The FRA remains committed to reducing avoidable accidents to young and old people, at home, on the roads and in the community. For example, it is involved with social services in 'first contact'. Vulnerable people are assessed for other risks than fire when firefighters carry out HFSRA. These issues are reported to the appropriate agency for remedial action. This is helping to reduce fuel poverty and support at risk groups to live independently.
- 20 The FRA remains committed to improving access to services and is developing a much greater understanding of the communities it serves. This is improving through more extensive partnership working with community agencies, through data sharing, and risk profiling of communities. The FRA is using mapping tools and data to identify 'at risk groups' to better target safety programmes, such as home safety checks. This data is available where it matters – at station level – to effectively deliver programmes where they will have most impact.
- 21 Specialist staff (such as the nine community advocates and BME liaison officers), are now effectively used to engage directly with particular vulnerable and hard to reach sections of the community. Media such as Asian radio stations are used to target safety and recruitment messages to specific groups. The needs of the Eastern European communities are being addressed through targeted initiatives such as road collision reduction training, which is a particular problem with this community.
- 22 The FRA is successful in delivering safety messages and programmes. In a recent survey, 75 per cent of respondents agreed the FRA was making Nottinghamshire safer, 60 per cent had been exposed to a fire safety message in the last 12 months and over 90 per cent had been influenced enough to improve safety arrangements in the home.
- 23 The FRA provides an adequate level of value for money. Its expenditure compares well with other Fire and Rescue Authorities, with costs per head of population running at below average for the last three years. There are no major areas where costs are significantly higher than other FRAs, providing similar levels of services.

- 24 Benchmarking work has been undertaken to review the impact of local deprivation on comparable costs, but comprehensive benchmarking of both costs and service performance is not yet established. There is an increasing spend on community safety, in line with the stated priority of the Authority.
- 25 There is a robust strategy for achieving efficiencies and the FRA is on course to improve on the national target. These efficiencies and savings cover various aspects of the service, particularly the better use of resources in line with the aim of the IRMP. The Authority applies an effective project management system. Its procurement decisions are based on valid business cases, not solely on lowest cost, but seeking to achieve the greatest benefit for the wider community.

Progress in implementing improvement plans to sustain future improvement

- 26 The FRA continues to develop plans to deliver an ambitious programme of improvement. The framework of plans is comprehensive, SMART and integrated. The simplified business planning process, which combines the corporate plan, community safety plan and IRMP, is now established. Priorities, objectives and targets are clear and reflect the national framework as well as local priorities.
- 27 There is clear ownership of corporate objectives at most levels, underpinned by departmental, district and station plans which link to key corporate plans. Ownership is also reinforced by the PDR process and improved face to face communication with the senior management team and staff. The FRA is committed to effective target setting to drive improvement, but not all targets are aimed at achieving top quartile, even in a realistic time scale.
- 28 There continues to be progress on the implementation of key plans and strategic priorities. The IRMP is delivering clear benefits and efficiencies. There is a stronger focus on community safety and resources have been effectively shifted to prevention. For example, the changes to shifts are now well established and providing more time for community safety and personal development. New work practices are releasing 12 firefighters to community safety work at 'quiet periods'. A specialist community safety team of 24 has been set up by reassigning staff following IRMP driven staff efficiencies.
- 29 The FRA continues to display a commitment to diversity and performance is adequate and improving. It has achieved level 2 on the equality standard and has above average performance for promoting equality. The proportion of top earners who are women, disabled and from an ethnic minority is also above average, but the percentage of women firefighters is slightly below average at 2.5 per cent.
- 30 The level of sickness for all staff and uniformed staff is reducing significantly. It was amongst the highest in the country, at over 12 days. This has decreased to around ten days for the last financial year. The FRA's own data for the last six months shows a further significant fall, releasing 380 more productive days per annum. The FRA attributes this improvement to better management of sickness and better morale.

10 Annual Audit and Inspection Letter | How is Nottinghamshire Fire Authority performing?

- 31 The FRA shows clear commitment to workforce development. IPDS is almost fully implemented, with competency based development processes in place. Staff are taking ownership of their own development and the PDR process is driving the annual training programme by identifying the development needs of all staff.
- 32 Performance management arrangements have been improved since the last assessment and are effective. Performance data is presented clearly and regularly and monitored against corporate and local targets. There is now ownership of performance and accountability by frontline staff, supported by specialist training. For example, mapping systems are readily available at stations and are used to investigate weaknesses, evident through local performance monitoring, such as increases in deliberate secondary fires. This is leading to local initiatives to tackle local problems and improve performance.
- 33 Improved arrangements for monitoring and managing projects and action plans are now established. Projects are logged and there is clear ownership. Software is used to track progress against key projects and new projects are scrutinised by the Performance and Coordination Team (PaCT). This is important for supporting the effective implementation of priorities and leading to better project delivery and outcomes. Reviews are leading to benefits, for example, a pilot arson campaign has been extended to other areas following evaluation.
- 34 Partnership working is continuing to increase capacity, gain resources and deliver organisational objectives. The BV review of partnerships has led to a more structured and strategic approach and the FRA remains a valued partner in a wide range of partnerships. The FRA remains committed to working with both the Local Area Agreements and is contributing to the safer stronger communities block by acting on avoidable injuries, deliberate fires and antisocial behaviour. Examples of benefits include a reduction in non domestic fires through working with agencies to secure derelict and void premises.
- 35 The FRA continues to make a significant contribution to the East Midlands Regional Management Board. It is involved in all the six work streams and leads on six of the 11 key projects. Beneficial results include joint recruitment and assessment centres, training programmes and more effective procurement, leading to better use of resources and consistent outcomes through economies of scale.
- 36 Arrangements for securing continuous improvement are significantly more robust since the last assessment. The issues of working relations and leadership are resolved. A new management team is in place and is firmly committed to the vision 'to create a safer Nottinghamshire'. Human resources arrangements are strengthened and grievances and discipline cases are now very low in number.
- 37 The FRA is therefore in a strong position to make further improvements. Financial management remains sound with no significant over or under spends. Budget management and financial training is being delivered to appropriate staff such as budget holders. Business and financial planning are aligned. Governance arrangements remain fit for purpose and members remain engaged in policy development.

Service assessment

- 38 The Commission has undertaken a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by its recipients. The assessment was constructed from two elements.
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority).
 - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).
- 39 The assessments for Notts Fire Authority are provided in Table 1.

Table 1 Fire and rescue service assessment

Element	Assessment
Performance indicators	2 out of 4
Operational assessment of service delivery	3 out of 4
Overall fire and rescue service assessment	2 out of 4 - Adequate performance – only at minimum requirements

Source: Audit Commission

- 40 Ten indicators have been used this year for the performance indicator (PI) scoring for the operational assessment including four new or revised indicators. The PIs are compiled using average figures over the last three years where available and some are also adjusted for social deprivation if relevant. Notts Fire's performance on most of these is very good, but for two indicators performance was in the bottom 25 per cent of fire authorities:
- false alarms caused by automatic fire detection; and
 - fires attended in dwellings where no smoke alarm was fitted.
- 41 This has meant a lower PI score than in 2006 - if more than 25 per cent of the PIs are below the lower threshold the score cannot exceed 2 out of 4. However with almost all the indicators the trend is improving.
- 42 Individual PI performance is shown in Table 2 below. Thresholds are based on 25th and 75th percentile points of the average of the data.

Table 2 Performance Indicators

Notts Fire shows very good performance in most key indicators and even those with poor performance are showing some improvement

PI	Description	Performance	Trend
F1	Primary fires per 10,000 population	above the upper threshold	Improving
F2	Accidental dwelling fires per 10,000 dwellings		Improving
F3	Deaths arising from accidental dwelling fires per 100,000 population		no change
F4	Injuries arising from accidental dwelling fires per 100,000 population		up on 2005/06 but longer term trend is improving
F7	Number of deliberate primary fires (including vehicles) per 10,000 population		improving
F5	Percentage of accidental dwelling fires confined to room of origin	between the thresholds	no significant change
F9	Calls to malicious false alarms		no significant change
F11	Fires in non-domestic properties per 1,000 non-domestic properties		improving
F8	False alarms caused by automatic fire detection	below the lower threshold	improving
F13	Percentage of fires attended where no smoke alarm was fitted threshold		improving

Source: Audit Commission

- 43 DCLG's 2006 operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG as part of their assessment of Notts Fire Authority.
- 44 "Nottinghamshire Fire and Rescue Service performs well in all areas of service delivery from risk analysis, prevention and protection work through to its emergency response services. It organises, plans and delivers services well and uses evidence based business cases to effectively inform decision making. The Service works well with partners in order to provide a wide range of community safety initiatives, and its work around equality and diversity is a particular strength. The Service develops its staff in order to reach competence, and ensures that firefighters have good access to information about potential risks and hazards during incidents. Audit and review arrangements are adequate across all areas of service delivery. Overall the Service is performing well. It has a very good understanding of its performance, and largely recognises the few areas that require improvement."
- 45 The Service assessment is to be updated in 2008.

The audit of the accounts and value for money

- 46 As your appointed auditor I have reported separately to the Finance and Resources Committee acting as TCWG on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 20 September 2007; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 47 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Authority and the way these are presented to the public);
 - Financial management (including how the financial management is integrated with strategy to support Authority priorities);
 - Financial standing (including the strength of the Authority's financial position);
 - Internal control (including how effectively the Authority maintains proper stewardship and control of its finances); and
 - Value for money (including an assessment of how well the Authority balances the costs and quality of its services).
- 48 For the purposes of the CPA we have assessed the Authority's arrangements for use of resources in these five areas as follows.

Table 3 Use of Resources scores

Notts Fire is performing well

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 49 Notts Fire is performing well in its use of resources and has improved its score from 2 to 3. Arrangements for financial management have become more embedded and financial reporting was better.
- 50 There is some work to do with internal control although generally there are sound arrangements.
- 51 Arrangements for securing value for money are adequate and the Authority's costs compare well with other FRAs, but overall there is still a very mixed performance for some key PIs.

Table 4 Use of Resources findings

Element	Main findings	Assessment
Financial reporting	Accounts were produced well within deadlines with no material errors and only two non-trivial errors identified. An unqualified opinion was issued. Accounting for technical areas has been strengthened and the latest SORP accounting changes were well managed.	3 out of 4
Financial Management	The Authority has taken effective action over the past two years to ensure that its medium term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. Performance is actively managed against budgets. The Authority manages its asset base but needs to ensure members are kept informed about the performance of its assets.	3 out of 4
Financial Standing	The Authority manages its spending within available resources. There is a history of good performance against budget and an effective framework of budgetary control and reporting. There is a sound policy for reserves which is regularly monitored and reported. Effective Prudential Code and Treasury Management strategies are in place.	3 out of 4
Internal Control	Risk management has evolved and improved, but still needs to be further embedded throughout the organisation. Systems of internal control are generally sound. Delivery of the core functions of an audit committee needs to be demonstrated fully. Active promotion of probity and propriety in the conduct of business is also needed.	2 out of 4

Element	Main findings	Assessment
Value for Money	<p>In terms of relative service cost the Fire and Rescue Authority is achieving value for money. The Authority's costs compare well with other FRAs and expenditure per head is below average.</p> <p>When the operational assessment key PIs are considered in isolation, overall performance has improved. However, there is still a very mixed performance relative to other FRAs, with both top and bottom quartile performance evident.</p> <p>Although almost 60 per cent of the 2006/07 PIs have improved over the last three years, two-thirds of all its BVPIs are worse than average. Investment is being made to improve poorer performing areas.</p> <p>External factors that have an impact on costs and performance are clearly understood by the FRA. There is also good understanding of how its overall costs and performance compare with other FRAs and how local factors such as deprivation affect this comparison.</p> <p>However the reporting process focuses on performance and is not linked to comprehensive cost comparisons across the service in relation to other FRAs.</p> <p>Value for money is considered made as part of the Best Value review programme. There is a robust strategy of achieving efficiencies and the FRA is on course to better the national target set.</p> <p>A range of efficiencies and savings have been made across various aspects of the service. There is clear ownership and responsibility for the efficiency agenda within the Authority.</p> <p>Equality Impact Assessments are used to ensure the FRA achieves equity of service across the community.</p> <p>The FRA has made good progress in performance management. Performance information is communicated across the brigade.</p>	2 out of 4
Overall assessment of the Audit Commission		3 out of 4

(Note: 1 = lowest, 4 = highest)

- 52 We have previously reported to officers our findings in more detail, including improvements that need to be made to reach the next level.

Financial Standing

- 53 The Authority's overall financial position remains satisfactory, with a relatively healthy level of balances which are being built up in line with stated policy. A sound budgetary control framework is underpinned by the Medium Term Financial Strategy (MTFS).
- 54 However, budget pressures are likely to continue and increase in future years, with the background of the modernisation agenda and tighter resourcing from both government and council taxpayers. The Authority's MTFS identifies the financial risks and uncertainties faced and sets out the strategy to meet these challenges.
- 55 In 2006/07 there was an overall underspend of £1.9m, before transfers, on a total net budget of £39.8m (5 per cent), compared with the outturn in 2005/06 of a £0.8m underspend on a budget of £40m (2 per cent). Unearmarked balances at 31 March 2007 stood at £2.6m. In 2007/08 the latest projected overall position is an expected budget underspend of £0.6m.
- 56 There was again significant slippage of £4m in the capital budget of £6.8m, which officers have previously reported.
- 57 The Authority's pension deficit fell by 3.5 per cent (14 per cent increase 2005/06) from £257m to £248m, but the current service cost increased by 23 per cent, from £6.1m to £7.5m.

Looking ahead

- 58 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 59 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 60 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 61 This letter has been discussed and agreed with the Head of Finance and Resources. A copy of the letter will be presented at the Finance and Resources Committee on 4 April 2008. Copies need to be provided to all Authority members.
- 62 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 5 Reports issued

Report	Date of issue
Audit and inspection plan	May 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum (to Treasurer and Head of Finance and Resources)	November 2007
Use of resources Assessment feedback	December 2007
Annual audit and inspection letter	March 2008

- 63 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

Availability of this letter

- 64 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Authority's website.

David Brumhead
Relationship Manager

February 2008

Section	Manager	Date of Assessment	New or Existing
Finance	Neil Timms	February 2008	New
Name of Report to be assessed		ANNUAL AUDIT AND INSPECTION LETTER	
1. Briefly describe the aims, objectives and purpose of the report.		To present to Members the External Auditors' annual audit and inspection management letter.	
2. Who is intended to benefit from this report and what are the outcomes?		All stakeholders benefit from the External Auditors Report	
3. Who are the main stakeholders in relation to the report?		The general public	
4. Who implements and who is responsible for the report?		The Fire Authority via the SMT and Head of Finance and Resources	

5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

STRAND	Y	N	NEGATIVE IMPACT	POSITIVE IMPACT					
Race		N							
Gender		N							
Disability		N							
Religion or Belief		N							
Sexuality		N							
Age		N							
6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group?			Y	N	7. Should the policy/service proceed to a full impact assessment?			Y	N
									N

I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed (completing person).....Neil Timms.....

Date29/2/2008.....