

Auditor's Annual Report on Staffordshire Commissioner Fire and Rescue Authority

2020-21

16 February 2022



Contents



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.



Section	Page
Executive Summary	3
Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources	4
Financial sustainability	5
Governance	9
Improving economy, efficiency and effectiveness	12
COVID-19 arrangements	14
Improvement recommendations	15
Opinion of the financial statements	21
 Appendices	
A – The responsibilities of the Authority	
B – An explanatory note on recommendations	
C – Use of formal auditor's powers	

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary

Staffordshire Commissioner Fire and Rescue Authority ('the Authority') is a relatively small Fire and Rescue Authority in the Midlands. The Authority is well run, with high standards of service performance and governance. There have been some changes in senior leadership during 2021, including a new Police, Fire and Crime Commissioner in Staffordshire elected in May 2021, and a new Chief Fire Officer appointed in October 2021.

In common with other Authorities, it faces some financial challenges. In particular, it is reliant on funding from central government to support its significant pension fund liabilities (which amounted to £516m at 31 March 2021). There is continued uncertainty over the future pension scheme arrangements, and in the funding available to the Authority.

The Authority works closely with Staffordshire Police on collaborative projects in a range of areas, and has demonstrated commitment to local communities through its response to the Covid-19 pandemic.



Value for money arrangements

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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. 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	Conclusion
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, and no improvement recommendation made.



Financial sustainability

We did not identify any risks of significant weaknesses in the Authority's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made two improvement recommendations. Our findings are set out in further detail on pages 5 to 8.



Governance

We did not identify any risks of significant weaknesses in the Authority's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made four improvement recommendations. Our findings are set out in further detail on pages 9 to 11.



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We did not make any improvement recommendations. Our findings are set out in further detail on pages 12 to 13.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 October 2021, following an ETAP meeting on 27 September 2021. Our findings are set out in further detail on page 20.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 14.

Financial sustainability



We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial pressures

The Authority identifies future financial pressures as part of its annual budget setting process. Budget holders participate in this process, which is also informed by the announced financial settlements from central government and information from Staffordshire billing authorities for Council Tax and Business Rates.

Annual budgets are included in the Medium Term Financial Strategy (MTFS), which is refreshed annually and incorporates the identified future financial pressures. The MTFS for 2021-22 to 2025-26 was approved by the Police, Fire and Crime Panel in February 2021. The strategy is supplemented by the Authority's Treasury Management Strategy, Capital strategy and Capital Programme Report and Reserves Strategy Report.

The Authority has identified the most significant financial pressures it faces as funding reductions and increases in staff costs (including the costs relating to pensions). Assumptions in relation to these pressures, as well as other assumptions such as inflationary increases to operating costs, have been included in the MTFS. We have reviewed the assumptions and have concluded that they are not overly optimistic, and have been based on the latest Local Government Finance Settlement.

The Authority has a significant pension liability within its Balance Sheet, amounting to £516m at 31 March 2021. Although the liability fluctuates from year to year due to changes in actuarial assumptions, the overall trend over the past four years was an increase in the liability of £60m, or 13%. The Fire Brigades Union (FBU) has had a long-running dispute with the UK government in respect of changes made to firefighters' pension schemes in 2015. In 2022 the Public Service Pensions and Judicial Offices Bill is due to come into force. The Bill will act to address and remedy aspects of the 2015 changes which have been ruled discriminatory by the

Court of Appeal, as upheld by the Supreme Court. These remedies are expected to further increase pension costs and liabilities for the Authority.

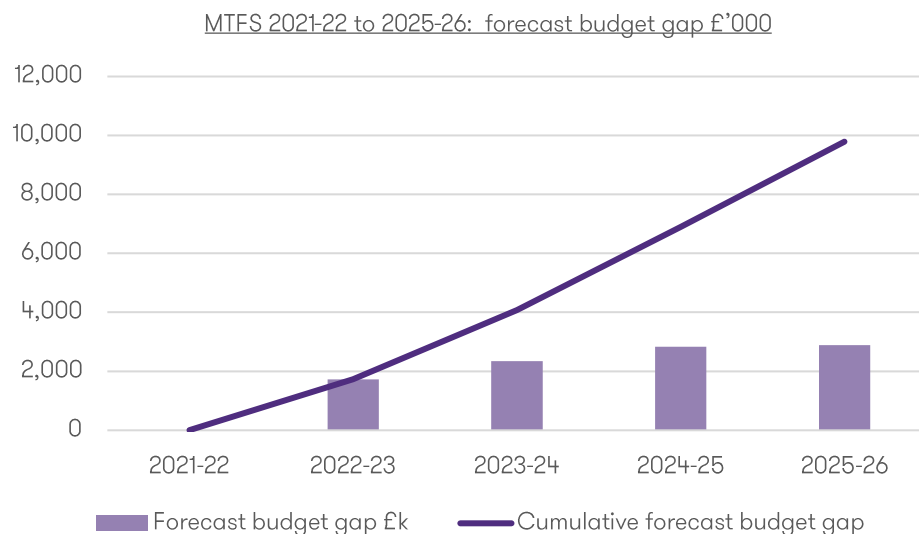
We consider that the Authority has a good understanding of budgetary pressures it faces, together with the uncertainties arising from the single year funding settlements seen in recent years. The lack of longer term financial settlements from central government has increased the uncertainties faced by the Authority.

Funding gaps and savings plans

The Authority has identified funding gaps over the period of the MTFS amounting to £9.8m, with the forecast budget gap increasing each year from 2022-23. The Authority has reserves available to meet this budget gap, but is also using the Service Transformation project to develop options for savings and efficiencies in order to limit the need to draw upon reserves. A savings target of £4m by 2025 has been set out in the MTFS.

The Authority has a good track record of identifying and delivering savings opportunities through the Service Transformation plans. Under this plan, the Authority has already entered into a series of collaboration activities with Staffordshire Police. The collaboration includes the sharing of non-operational teams in areas including transport support and procurement, as well as major capital projects which have allowed the Authority to share its estate with the Police force and thereby generate ongoing shared savings.

The Service Transformation project is refreshed regularly in response to new information and the outcome of options testing. Continuous Improvement sessions have been run which are designed to incorporate challenge and feedback from the Staffordshire Commissioner on the planned delivery and timing of improvements.



Changes to response options which would generate cost savings and efficiencies are currently under consideration within the Service Transformation project. Testing and development of options, as well as approval from the Staffordshire Commissioner and the Strategic Governance Board, are needed before implementation and therefore no substantial changes are expected to occur until 2022-23. Whilst past savings from the Service Transformation project have been incorporated into budgets and the MTFS, future savings have not been included until there is more certainty about what can be achieved. Nevertheless, the Authority anticipates that £5.6 million of revenue and capital savings can be achieved by 31st March 2024.

In February 2021, the Authority's Reserves Strategy forecast that total reserves available to meet future budget gaps will fall from £9 million as at 31st March 2020 to £6m as at 31st March 2026. With the total budget gap over the period of the MTFS forecast to be £9.8m million, it is critical that the Authority continues to develop ongoing savings and efficiencies which will contribute to the reduction of the budget gaps identified, and we have made an improvement recommendation in this regard.

Sustainable delivery of services

The statutory responsibilities of the Authority are set out in the Fire and Rescue Services Act 2004, and include:

- extinguishing fires in their area
- protecting life and property in the event of fires in their area
- rescuing and protecting people in the event of a road traffic collision, and
- rescuing and protecting people in the event of other emergencies.

Discretionary activities are limited, and mainly relate to prevent and protect schemes.

The Authority has developed a Corporate Safety Plan for the period 2020 to 2024 which sets out four overarching priorities:

- Prevention and early intervention
- Protecting Staffordshire and its people
- Public confidence
- Service reform

As part of the Service Transformation project, all service areas are subject to review to identify opportunities to improve the efficiency and effectiveness of service delivery. One recent development is the establishment of a team which uses service data to better predict service demand, aiming to ensure that the Authority's ability to meet the needs of service users is not affected by efficiency measures.

The Authority has completed a scenario planning exercise which links potential changes to service delivery to the estimated financial impacts. The Authority is exploring options for changes to service provision which would not impact on delivery of its statutory responsibilities.

Our review of the Authority's Capital Strategy found clear links between capital investment decisions and achievement of corporate priorities set out in the Corporate Safety Plan.

Consistency with other plans

Workforce

Due to the significance of workforce-related expenditure in the overall budget, it is important that that Authority's workforce plans are aligned to its financial plans. The Authority does not have a separate workforce plan; instead, assumptions relating to the workforce (such as staff transfers to Staffordshire Police as part of the collaboration project, and expected increases in pay and pensions costs) are incorporated directly into the budget setting process and MTFS development. We have included an improvement recommendation suggesting that the Authority should consider developing a stand alone workforce plan to ensure that there is a focus on workforce issues at a strategic level outside of the MTFS.

Capital

The Authority has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Safety Plan 2020-2024. The capital programme includes spending across Estates and Facilities, Operational Equipment, Transport Appliances and Vehicles, and Information Systems and Technology. The MTFS takes into account the revenue costs of capital expenditure and we have not identified any inconsistencies between the capital strategy and other financial plans.

We note that the delivery of capital projects in 2020-21 has slipped against initial plans, largely due to the effects of the Covid-19 pandemic, with only £2.7 million of the budgeted £7.7 million of capital expenditure being achieved in year. This capital spending is now planned to take place in 2021-22. We note that 2020-21 was an exceptional year due to Covid-19 and note that there is similar slippage at other public bodies.

Treasury

The Authority has adopted a low risk approach to treasury management, as set out in its Treasury Management Strategy. The Authority's Loan Capital Financing Requirement is forecast to increase over the period to 2023-24, but external borrowings are forecast to reduce over this timeframe as the Authority's internal borrowing capacity increases. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that total external borrowing should be lower than the highest forecast CFR over the next three years; the Authority will comply with this recommendation in this period.



Managing financial resilience

Financial risks and uncertainties have been reflected in the annual budgets and MTFS. The Authority has identified the most significant risks and uncertainties as being:

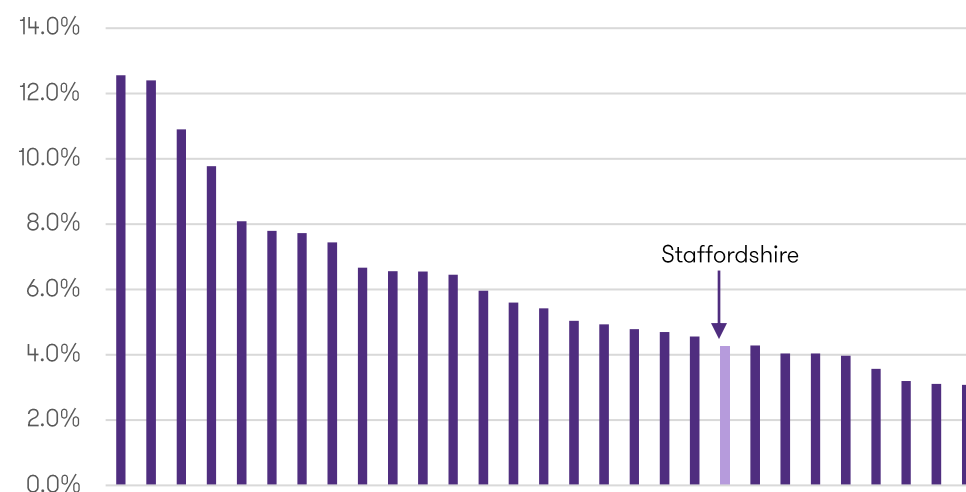
- the impact of national pay awards, which are decided on a national level and therefore not within the Authority's direct control;
- the implications of the Sargeant and McCloud court cases in relation to pensions liabilities and associated costs;
- the risks associated with the ongoing Covid-19 pandemic; and
- the outcome of the upcoming Fair Funding Review.

The Authority has used scenario planning to consider the impact of future financial challenges, and has established a general reserve which the Authority has assessed as being sufficient to meet the highest risk financial pressures such as additional pay costs and failure to deliver planned efficiency savings. In addition, specific reserves have been earmarked to allow the Authority to manage variances against planned outturn.

The Authority's General Reserves of £1.9m as at 31st March 2021 were 4.3% of the net expenditure on cost of service for 2020-21. This is in line with a recommendation from the Home Office that Fire Authorities hold no more than 5% of overall funding within reserves, and is towards the lower middle of the range of reserves held by fire authorities across England.

The total available reserves (the general reserve plus the unringfenced earmarked reserves) as at 31st March 2021 were £9.4m, which is approximately 22% of the annual revenue budget for 2021-22 and suggests that the Authority has sufficient financial resilience in the short to medium term.

General Fund balance as % of net expenditure on cost of service for 20-21



Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it can continue to delivery financially sustainable services.

We have made two improvement recommendations, relating to the need to identify savings to meet forecast budget gaps, and to consider development of a standalone workforce plan. These are set out in more detail on pages 15 and 16.

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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership

The Staffordshire Commissioner for Police, Fire and Crime ('the Commissioner') is accountable for governance and oversight of the Authority. The election of the Commissioner usually takes place every four years, and a new Commissioner was elected in May 2021 after elections due in 2020 were delayed by the Covid-19 pandemic. Oversight of the Commissioner is provided by the Police, Fire and Crime Panel which has members who act as representatives from across the county.

The Chief Fire Officer is responsible for ensuring that the Authority fully discharges its statutory obligations and duties, as well as working with the Commissioner to develop the vision and strategic direction of the Authority. In October 2021, a new Chief Fire Officer was appointed. These two leadership changes are significant for the Authority but the overall picture is one of stability, with new Chief Fire Officer and their deputy both being internal appointments.

Risk management and internal controls

Risk management

The Authority has well developed arrangements in place for identify, understanding, recording and assessing risks. There is an overarching Risk Management Framework, supported by a number of procedural and policy documents which are updated annually.

The Authority has a Risk Opportunity and Management Toolkit which includes a standardised risk register template. The template is used throughout the organisation for operational and strategic risk registers. This ensures consistency of reporting. Furthermore, in order to ensure that risk registers are monitored and risks are scored appropriately, risk management awareness training is delivered across all levels of the organisation.

Strategic risks are scrutinised by the Performance and Assurance Board, and the Service Delivery Board, on a quarterly basis, before being presented to the Ethics, Transparency and Audit Panel for final review and challenge. The scrutiny of risks is focused on higher RAG-rated risks, and internal audit have recommended that the scrutiny is extended to ensure that medium RAG-rated risks are also considered, to ensure that the Authority has taken into account risks which may escalate from medium to high rating.

Internal audit have also identified that the Authority could further strengthen its risk management arrangements by improving the documentation of the risk management process and challenge provided by PAB, SDB and ETAP members, and by more clearly linking risks to strategic objectives in the Safety Plan 2020-2024.

Our review of papers relating to risk management identified some instances where operational risk registers were scheduled for review less frequently than quarterly. We have made an **improvement recommendation** for the Authority to increase the frequency of these risk reviews.

Internal controls

The Authority has put in place a range of policies and procedures which support the corporate governance framework in regards to the prevention and detection of fraud. We did however identify that the Whistleblowing Policy, which was due for review in October 2019, was not reissued until September 2021. Furthermore, the Code of Conduct for employees has not been reviewed since May 2014. We have made an **improvement recommendation** that these policies are reviewed every 1-3 years in order to ensure that they remain comprehensive and relevant to the Authority's needs.

The Authority's internal audit plan identified seven key areas of focus for 2020-21, and the internal audit team has been able to complete sufficient work to be able to issue a Head of Internal Audit Opinion for 2020-21, stating that: "The organisation has an adequate and effective framework for risk management, governance and internal control."

Budget setting and monitoring

The Authority has demonstrated that it has an appropriate annual budget setting process in place. Budget holders are involved throughout the process, with budgets being built up from a zero base each year based on proposal by budget holders which are subject to challenge by the finance team, who consider the budget proposals individually and in aggregate. Once a budget proposal is produced, this is presented to the Strategic Management Board and Strategic Governance Board, before final presentation to the Police, Fire and Crime Panel which is made up of a range of stakeholders who have the opportunity to challenge and approve the budget.

Budget holders receive monthly monitoring reports from the finance system which identify any significant variances for investigation. These reports cover both revenue and capital expenditure. The Finance Panel meets bi-monthly to review the Resource Control report, which contains both financial and non-financial (e.g. head count) information and progress updates on key contracts and projects. Monitoring by the Strategic Governance Board occurs quarterly. We found that the monthly and quarterly budget monitoring reports contained sufficient information, at an appropriate level of detail, to enable effective decision-making.

Finance team capacity

The finance team is relatively small, consisting of three qualified accountants and three support staff. The finance team members (except for the Director of Finance) are employed by Staffordshire Police. However, apart from the Director of Finance and Deputy Director of Finance, the team continues to work solely for the Authority as part of the collaboration project. The small size of the team means that it is more difficult to manage additional pressures, such as unplanned absence or major projects. For the audit of the 2019-20 financial statements, which took place in the latter part of 2020, we found that the finance team was working under additional pressures and this did impact on capacity and resilience. Given the small size of the current team, we have made an **improvement recommendation** that the Authority undertakes a review of the capacity of the finance team to ensure that it is adequate to meet the needs of the Authority.

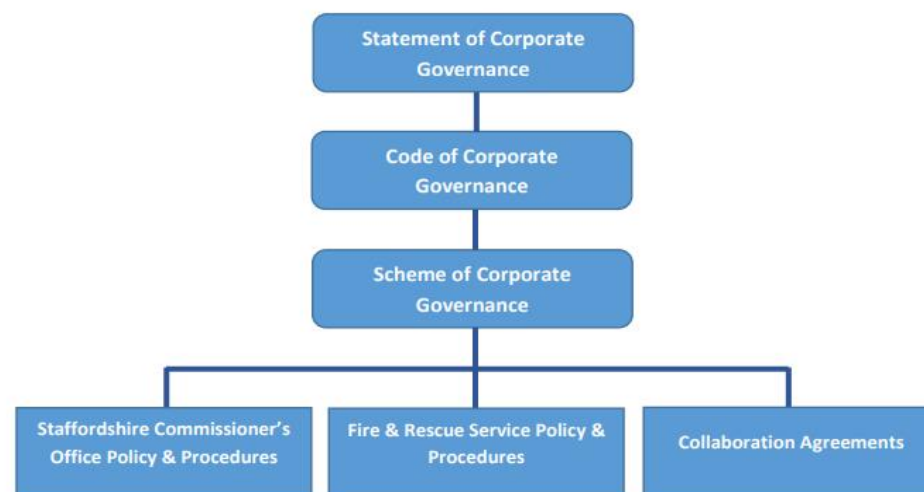
We understand that there is an upgrade of the finance system planned for 2022. We have made an **improvement recommendation** that the Authority carefully considers the timing and resources required for this project, as well as any implications for financial recordkeeping and access to information for the audit.

Budget monitoring and annual accounts have been completed to a good standard overall, with no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements. This is detailed further on page 20. Unmodified audit opinions have been issued for the 2020-21 and previous financial statements.

Informed decision-making

The Authority has a well-developed governance framework, which clearly defines Key Decisions which are required to be made by the Commissioner. For all Key Decisions, a standardised form and report is prepared with input from the Monitoring Officer and Director of Finance where required, then reviewed by the Chief Fire Officer and approved by the responsible officer before being considered by the Commissioner as part of the Strategic Governance Board. A register of key decisions is maintained.

Corporate Governance Framework



The Authority has an “open chair” policy for senior management meetings, which allows any staff member to attend and is designed to encourage engagement of staff at all levels throughout the organisation. We found that the open chair had been used by a variety of different staff during 2020-21. The latest inspection report from Her Majesty’s Inspectorate of Constabulary and Fire Rescue Services (HMICFRS), which was undertaken in 2018-19, found that “the service is outstanding in promoting the right cultures and values...and staff see their leaders putting those high standards into practice. Leaders encourage staff to ask questions and to expect honest answers.”.

The Ethics, Transparency and Audit Panel demonstrates appropriate challenge of financial and non-financial items, with Panel members having a broad range of relevant skills.

Standards

The Authority has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Staffordshire Commissioner and Monitoring Officer, and the work of internal audit.

The Commissioner has put in place a Counter-Fraud and Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These documents the policies and procedures of the Authority, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained, and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda.

The latest HMICFRS report was positive in terms of the culture and values demonstrated by the Authority. However, during 2020-21 a small number of grievances were raised by operational staff. The Authority has HR policies and procedures in place to deal with these cases, some of which are ongoing. In addition, the Commissioner asked HMICFRS to bring forward its next inspection (originally due to take place in 2022), so that the inspection could consider the Authority’s management of these workforce issues. The HMICFRS report is due to be published in 2022.

In 2019, a rope rescue training incident occurred, concerning an accident involving a small number of the Authority’s firefighters. The Authority asked Derbyshire Fire and Rescue Service to investigate the incident, which was also investigated by the Health and Safety Executive (HSE).

Following its investigation, the HSE has notified the Authority that it intends to proceed with a prosecution for a failure to discharge duties under Section 2(1) of Health and Safety at Work Act 1974. This legal process is at an early stage and it is not yet possible to predict the outcome. We are satisfied that adequate disclosure of this contingent liability has been included in the Authority’s financial statements.

We understand that immediately after the incident, the Authority suspended its rope rescue activities pending the outcome of the investigation but it does not consider that this has had a detrimental effect on its operational capacity and performance.

We have not been made aware of any significant non-compliance with the Authority’s governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority’s arrangements for ensuring that it makes informed decisions and properly manages risks. We have made four improvement recommendations. These are set out in more detail on pages 17 to 20.



Improving economy, efficiency and effectiveness

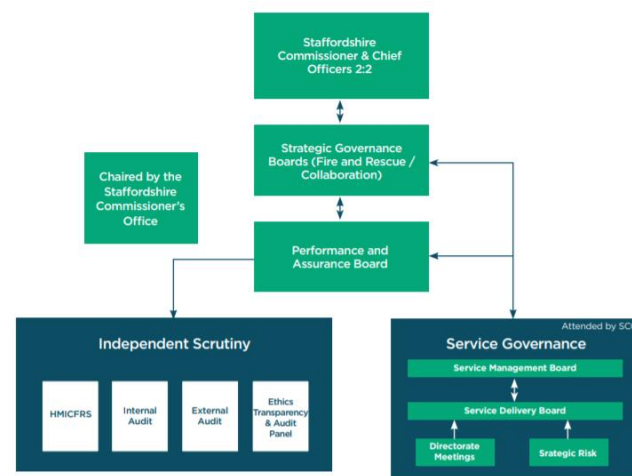


We considered how the Authority:

- 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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Identifying areas for improvement

Performance is monitored via quarterly reporting to the Service Delivery Board (SDB), scrutinised by the Performance and Assurance Board (PAB) and approved at the Strategic Governance Board (SGB).



Performance is reported against Key Performance Indicators (KPIs) which have historically been linked to the core statutory functions of the Authority.

For 2020-21, the KPIs were:

- Total number of incidents attended
- Number of accidental dwelling fires
- Number of accidental dwelling fire deaths and injuries
- Number of Safe and Well Visits completed

- Number of accidental business property fires
- Number of road traffic collisions (RTCS) attended
- Number of automatic fire alarms attended

The Quarter 4 Performance Review for 2020-21 shows that all of these measures showed a downwards three year trend over the three years to 31 March 2021, which is a positive outcome for the Authority. The 2020-21 Statement of Assurance, published in accordance with the Fire and Rescue National Framework for England, shows that the Authority is doing well overall, although some measures have been affected by the Covid-19 pandemic.

More recently, the Authority has recognised the need to monitor performance more strategically, and has begun to move towards qualitative as well as quantitative KPIs, linked to the goals set out in the Safety Plan 2020-24. This change should enhance the potential of the Authority to identify areas for improvement, and we consider this to be a positive step towards improving performance monitoring.

The Authority also assesses and evaluates its performance using external sources of information:

- External performance data is available from HMICFRS. The 2019 report included high level KPIs which showed that in the areas of public perception and cost, as well as some measures of service response and workforce, the Authority was found to be performing better than the average for England.
- The Authority's Ethics, Transparency and Audit Panel (ETAP) commissioned a thematic review of the Fire Protect Programme which was completed in November 2020. The review identified seven recommendations, including urgent consideration of the need to update or replace the operational IT system (CFMIS). In response, the Authority developed a Digital Strategy and invested in a replacement IT system. The new Prevent and Protect system provides one integrated location and database for safety audits, enforcement, operational risk, 'safe & well' and hydrant information.

The new system provides a more efficient and effective service delivery, and demonstrates that the Authority is open to considering alternative delivery methods to improve performance.

- High level fire service statistics relating to performance are available from the Home Office. Our analysis of Fire Prevention and Protection Statistics for 2016/17 to 2020/21 show that the Authority was one of only nine Authorities which had not taken any prosecution measures for offences under Article 32 of the Fire Safety Order. The Authority had already identified this as an area for potential improvements in performance. In 2019, the Authority considered options to improve the effectiveness of its Protect teams and implemented changes to its approach to fire safety investigations. The Authority feels that the changes have been successful. We note that the percentage of audits with satisfactory findings has increased in 2020/21, and two successful prosecutions have been concluded, although the pandemic did impact on the number of audits completed.
- Through work done with the National Fire Chiefs Council, the Authority has access to regional performance data, for example on Health and Safety indicators and Learning and Development metrics.
- The Authority performs some high-level benchmarking of financial information against other Authorities. For example, a comparison of investment returns for 2020-21 showed that the Authority's rate of return achieved for the year was in line with those achieved by other fire Authorities. Benchmarking data also indicates that the Authority's precept amount was just below the average for Fire Authorities in 2020-21, with a year-on-year increase in line with the median rate of increase.

Working with others

In order to increase efficiency, the Authority developed a collaboration project with Staffordshire Police which has generated additional income (through shared estates) and reduced costs (through shared support functions) for the Authority. The Authority's internal auditors reported in October 2020 that project management and governance arrangements for the collaboration had been implemented successfully. The Strategic Governance Board (SGB) for Collaboration demonstrates clear scrutiny of the collaboration arrangements and savings generated. A Collaboration Board has been established, meeting monthly to identify collaboration opportunities and monitor progress.

The Authority is a member of the Strategic Coordination Group (SCG) established by the Staffordshire Local Resilience Forum to manage the local response to Covid-19. Following an increase in incidents during the first Covid-19 lockdown, the Authority identified a need for household waste centres and garden waste collections to resume and put forward this request to Staffordshire local authorities via the SCG.

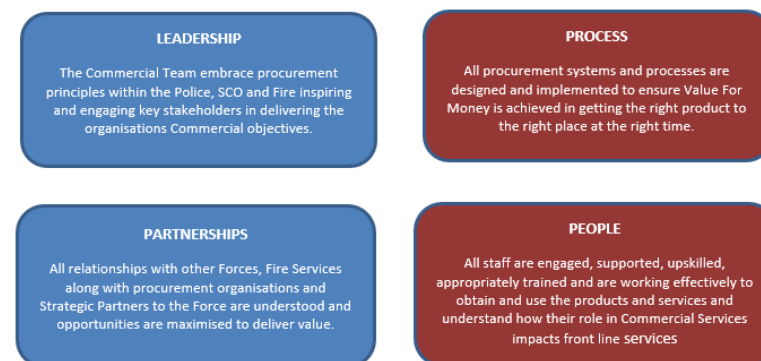
The Authority is open to working with, and learning from, other fire authorities. Members of senior management represent the Authority at the National Fire Chiefs Council and its subsidiary committees.

Public Finance Initiatives (PFI)

The Authority has two existing PFI schemes in place – PFI1 which is a 25 year scheme commencing in 2010, and PFI2 which is a 25 year scheme commencing in 2014. As there are a number of years remaining on both schemes, the PFI expiry has not yet been considered in detail. The Authority considers that the schemes are providing good value for money.

Procurement

The Authority has a procurement strategy in place which sets out the framework for procurement using four themes:



One significant procurement project was undertaken in 2020-21, to replace the CFMIS IT system used for operational purposes. We have reviewed documentation in relation to the procurement, and are satisfied that the requirements of the procurement strategy, and the Authority's internal control system, were met. Procurement is undertaken by a team shared between the Authority and Staffordshire Police under the collaboration arrangements.

The Authority's website contains public information on procurements which is updated quarterly, which is consistent with the Authority's approach to fair and open procurement.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for improving service delivery.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Authority's arrangements have adapted to respond to the new risks they are facing.

Financial Sustainability

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how fire and rescue services in England were responding to the COVID-19 pandemic. Their report concluded that the Authority's resources were well managed, with robust and realistic calculations of the extra costs it has faced during the pandemic. HMICFRS reported that the Authority fully understood the effect of additional costs (which were mainly related to PPE, cleaning materials, and additional staff requirements) and reduced income on its budget. The Authority received COVID-19 grant funding of around £1m in 2020-21, of which around £0.7m was spent on additional staff and other costs by the end of the year, with remaining funding being carried forward into 2021-22. The Authority did not therefore need to use any of its own reserves to cover the additional costs arising from the pandemic.

Governance

Following the national lockdown, the committee meetings moved to remote videoconferencing channels. There is evidence within meeting minutes, and from HMICFRS' review, that appropriate levels of scrutiny continued to be applied by members throughout this time.

HICFRS also found that the PFCC was actively engaged in the ability of the service to discharge statutory functions during the pandemic. The service regularly updated the PFCC about how it was responding to the pandemic and the extra activities of staff.

The Staffordshire Commissioner's risk register was updated to ensure that COVID-19 relates risks, and existing risks impact by COVID-19, were recorded appropriately, mitigated where appropriate and monitored.

Office-based staff were provided with IT equipment to allow them to work from home, and the transaction to home working was relatively smooth. Home working has continued throughout the pandemic, although staff have also returned to offices when judged safe to do so. There is no evidence of a significant impact on productivity as a result of home working arrangements.

Improving economic, efficiency and effectiveness

HMICFRS reported that the Authority had continued to provide its core statutory functions throughout the pandemic, in line with advice from the National Fire Chiefs Council (NFCC).

The Authority has made staff wellbeing a clear priority, and worked in partnership with the Midland Partnership Health NHS Foundation Trust to ensure mental health support was available.

The Authority has been an active member of the Staffordshire LRF during the pandemic, and staff have been involved in activities supporting the Staffordshire Local Resilience Forum (LRF), including:

- providing support for vulnerable people
- delivery of PPE
- setting up testing sites
- antigen testing

Improvement recommendations

Financial sustainability

1 Recommendation	The Authority should continue to identified and develop savings plans which are sufficient to avoid depletion of General Fund reserves to an unacceptable level.
Why/impact	The use of reserves to balance the budget is not appropriate beyond the management of short term fluctuations and deficits.
Auditor judgement	Maintaining general fund reserves above the Authority's minimum level will ensure that the Authority can continue to manage uncertainties and variabilities in future year budgets.
Summary findings	The Authority's MTFS has a financial gap of £9.8m in the period to 31 March 2026. A savings plan for £4m has been developed but use of reserves is currently forecast to be required to meet recurrent operating expenditure over this period.
Management comment	The Authority has a good track record of delivering savings and responding to the changing financial landscape. The Authority has used reserves responsibly and efficiently in line with its Reserve Strategy and whilst reserves may be earmarked against future pressures e.g. Pensions the main use of earmarked reserves has been to support capital financing costs and maintain lower levels of debt. The Service continues to move forward on its transformation journey working alongside the Staffordshire Commissioner to ensure that opportunities for efficiency and productivity are developed and implemented successfully into the Medium term.



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

Improvement recommendations

Financial sustainability

2 Recommendation	The Authority should consider developing a stand alone workforce plan.
Why/impact	An approved workforce plan may increase focus on workforce issues at a strategic level.
Auditor judgement	The Authority's workforce is key to its successful delivery of its statutory responsibilities, and a significant area of costs which affects the Authority's financial outlook.
Summary findings	The Authority currently takes into account workforce issues within its MTFS, but does not have a separate workforce plan in place.
Management comment	The Authority will look to work with the Shared Service HR team in order to move forward on this sound recommendation.

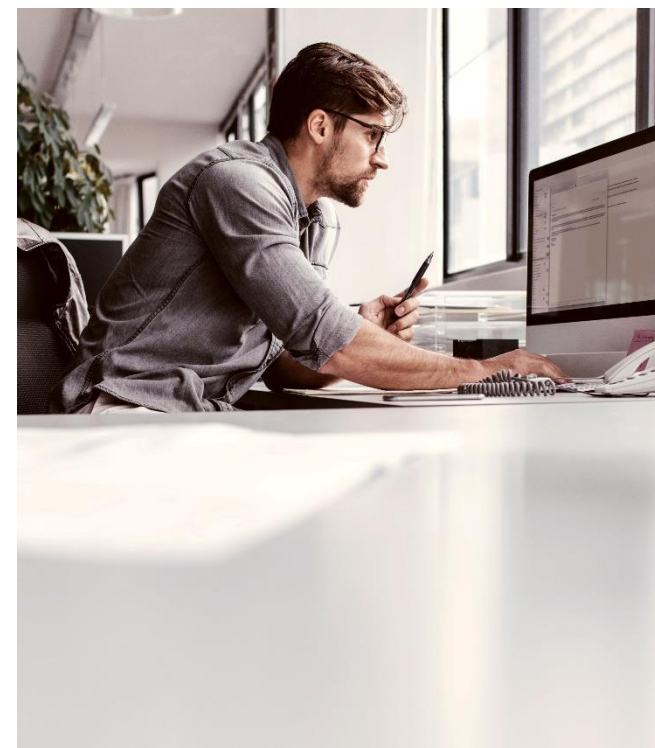


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

3 Recommendation	The Authority should consider whether medium and high level risks are reviewed with sufficient frequency.
Why/impact	A shorter period between formal risk reviews would reduce the risk that changes in the Authority's risk profile are undetected and therefore unmanaged.
Auditor judgement	The review of risk registers should take place at regular intervals throughout the year. We would expect review of risk registers to occur on a quarterly basis, at a minimum.
Summary findings	Some of the Authority's risk registers were subject to formal review less frequently than quarterly in 2020-21.
Management comment	The Strategic Risk register is reviewed on a quarterly basis and reported through the governance arrangements within the Service. The Authority accepts the recommendation that directorate and department risk registers are also reviewed on a quarterly basis where this is considered to be necessary.



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

Improvement recommendations

Governance

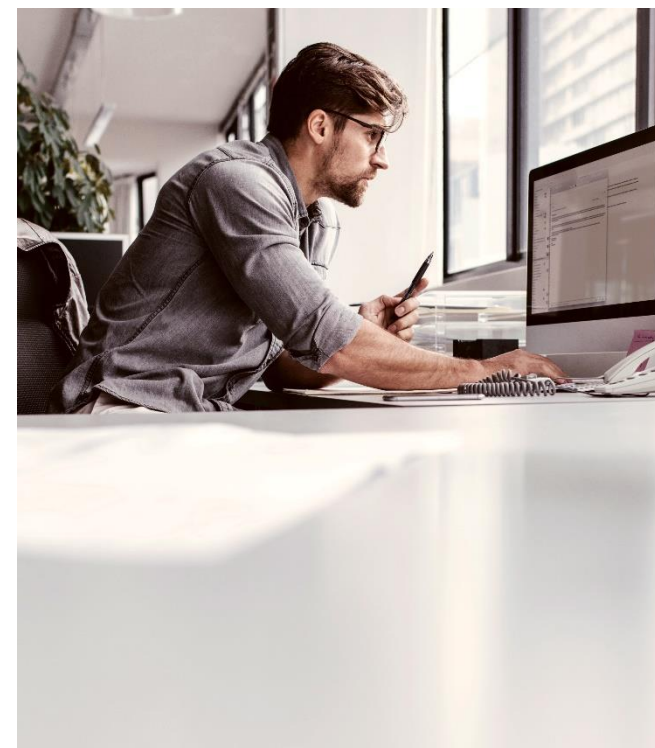
4 Recommendation The Authority should ensure that key policies and procedures are reviewed on a regular basis.

Why/impact It is important that policies and procedures are reviewed regularly in order to confirm that they remain comprehensive and relevant to the Authority's needs.

Auditor judgement It is good practice for key policies and procedures to be reviewed regularly (every 1-3 years).

Summary findings The Whistleblowing Policy was due for review in October 2019 but not reissued until September 2021. The employee Code of Conduct has not been reviewed since May 2014.

Management comment This recommendation is accepted.

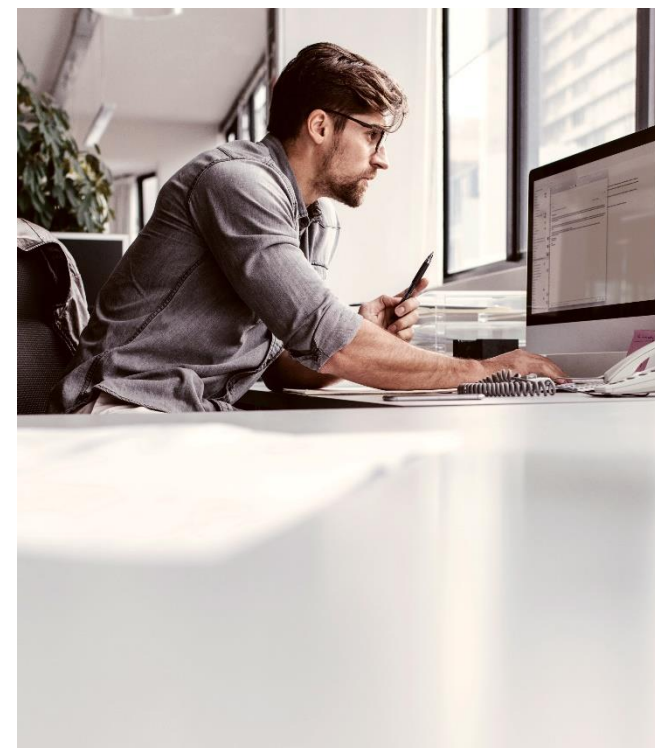


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

5 Recommendation	The Authority should undertake a review of the capacity of the finance team to ensure that it is adequate to meet the Authority's needs.
Why/impact	A smaller finance team is more vulnerable to unplanned pressures which could impact the team's ability to support the Authority at an appropriate level.
Auditor judgement	The finance team is a key part of the governance framework.
Summary findings	Given the importance of the finance team to the governance and operations of the Authority, the Authority should be comfortable that the capacity of the team is sufficient to meet its needs.
Management comment	The Authority will accept this recommendation and consider the capacity of the team particularly given the system upgrade work required during 2021/22. A new post to support the Integra's system maintenance requirements has been approved. This will release some resource back into the team and importantly provide some additional resilience.

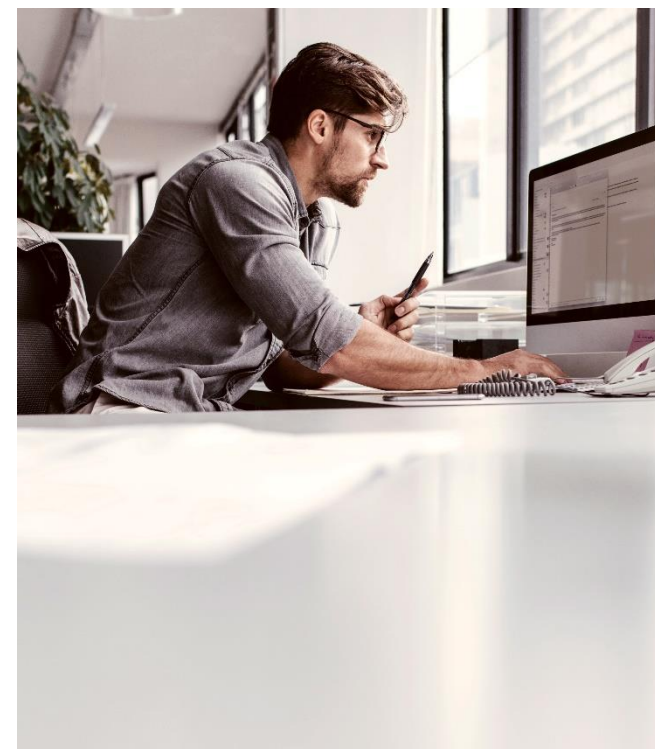


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

6 Recommendation	The Authority should carefully consider the timing and resources required for the change in financial systems expected in 2022, as well as the any factors which could impact on financial recordkeeping and access to information for audit purposes.
Why/impact	An upgrade to the finance system is likely to require significant inputs from the finance team, and this could impact on the overall support available to the Authority for managing finances. Changes to finance systems may increase risks to the availability and integrity of financial information.
Auditor judgement	The finance team is a key part of the governance framework, and relies upon an effective finance system.
Summary findings	The finance team is small which makes it more difficult for the Authority to manage additional pressures on the team. Changes to finance systems may impact on financial recordkeeping and/or availability of information.
Management comment	In addition to the additional system administration post approved for Fire (see recommendation 5) the shared services Finance team will also be moving to Integra Centros. Additional resource for this project work has been approved that should also help support the Fire upgrade to the same platform.



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

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified audit opinion on the financial statements on 22 October 2021.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Ethics, Transparency and Audit Panel on 27 September 2021.

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 will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

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:

All adjusted and unadjusted misstatements identified for the Authority's 2020/21 financial statements were disclosed in the 2020/21 Audit Findings Report, Appendix B.

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 Fire and Rescue Authority



Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

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 - 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. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	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 Service. 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	page 15 – page 20

Use of formal auditor's powers

We bring the following matters to your attention:

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 any public interest reports.

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 make any applications to the court.

Advisory notice

Under Section 31 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 any advisory notices.

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 make any applications for judicial review.

