

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

2022/23

November 2023



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

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



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

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Executive summary (1 of 2)






Value for money arrangements

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

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

Criteria	2022/23 Risk assessment	2021/22 Auditor Judgement on arrangements	2022/23 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	 The Service has no significant weaknesses, but two improvement recommendations are made	 The Service has no significant weaknesses, but two improvement recommendations are made	↔
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified or improvement recommendations made	 The Service has no significant weaknesses, but one improvement recommendation is made	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 The Service has no significant weaknesses, but one improvement recommendation is made	 The Service has no significant weaknesses, but two improvement recommendations are made	↔

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

Executive summary (2 of 2)



Financial sustainability

The MTFS shows a balanced position for 2022-23 and 2023-24 and for 2024-25 after using £0.65m of earmarked reserves and it includes a savings requirement of £0.7m to provide a balanced position for 2024-25. This savings requirement increases to £1.4m by 2026-27. Savings options totalling over £2m have been presented to the Commissioner. Further worked-up workstreams are available if needed to achieve further savings but these options will be harder to achieve without impacting frontline delivery.

We identified two improvement recommendations (pages 10 and 11). We made an improvement recommendation in our Auditors Annual Report (AAR) 2020-21 to develop a Workforce Strategy and this is still outstanding in September 2023. The other recommendation relates to capital programme management and reporting. These need improvement to include expected and actual programme benefits, track outcomes of capital spend and understand reasons for delays to programme delivery.



Governance

While we have identified some good practice on risk management, we identify further improvement and make an improvement recommendation (page 14). Risk needs to be embedded into finance and performance reports with clear links made to those risks in the strategic risk register (SRR). The risk framework needs to include risk proximity, risk appetite and risk escalation in its next review. The Risk Group needs to be the second line of defence with the third line being internal audit.

We identified strong arrangements for budget setting. Including a consultation with all budget holders and representative bodies for six weeks using a zero-based budget exercise and requirement to attend a budget challenge session to review budget proposals, identify efficiencies and mitigate in-year cost pressures.



Improving economy, efficiency and effectiveness

The Service has a well-established and robust performance management framework, and reports are regularly monitored by senior management using a mix of qualitative and quantitative performance metrics. The Service was inspected by His Majesty's Inspectorate of Fire & Rescue Services (HMICFRS) in Autumn 2021 and the inspection report released in July 2022. The Service was rated as good for effectiveness, requires improvement for efficiency, and requires improvement for people. It now has a detailed improvement programme in place linked to the service transformation programme and the savings required.

We find procurement and contract management to be performing well but raise an improvement recommendation to update the contracts register with values and procurement approaches (page 18). We also identify an improvement recommendation in financial sustainability relating to the capital programme (page 11).



Financial Statements opinion

We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion in December 2023, subject to completion of outstanding audit work. Our findings are set out in further detail on pages 20 to 23.



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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Service's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion in December 2023, subject to completion of outstanding audit work. Our findings are set out in further detail on pages 20 to 23.

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 in 2022-23.

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 in 2022-23.

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 application to the Court in 2022-23.

Advisory notice

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

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

We did not issue any advisory notice in 2022-23.

Judicial review

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

We did not apply for any judicial review in 2022-23.

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

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

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

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

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



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Service's arrangements in each of these three areas, is set out on pages 7 to 18.

Financial sustainability (1 of 3)



We considered how the Service:

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

How the Service ensures it identifies all the significant financial pressures that are relevant to its short- and medium-term plans and builds them into its plans

On 14 February 2022, the Police and Crime Panel received a Fire Service budget report for 2022-23 together with the Medium-Term Financial Strategy (MTFS) to 2026-27. It established the revenue requirement as £42.472m and the council tax requirement as £28.532m.

The 2022-23 council tax precept for the fire element of the council tax bill was increased by 1.99% or £1.57, increasing the council tax to £80.35 for a Band D Property. The Council Tax base increased to 355,100 properties. Business rates income reduced in 2022-23 from £3.735m in 2021-22 to £2.670m. This business rates has fully recovered in 2023-24.

The MTFS shows a balanced position. However, this includes a saving requirement of £2m during the MTFS period and a net use of reserves of £0.3m. This is driven by ongoing pay pressure, increased firefighters pension costs and increases in capital financing costs and utilities.

On 13 February 2023, the Police and Crime Panel received an update on the pay award. Basic pay increased by 7% with effect from 1 July 2022 and by 5% from 1 July 2023 compared with the 3% assumed in the MTFS. The 2023-24 net revenue budget requirement was £46.465m and the council tax requirement for 2023-24 was £30.355m. The MTFS shows a balanced position for 2023-24 and for 2024-25 after using £0.65m of earmarked reserves and it includes a savings requirement of £0.7m to provide a balanced position for 2024-25. This savings requirement increases to £1.4m by 2026-27.

The budget papers set out the risks and uncertainties beyond 2022/23 including the impact of national pay awards, the implications of the Sargeant / McCloud High Court judgement on pension costs, the risks associated with the formula funding review and inflation with wage growth of 13.5% and inflation of 15% cumulatively forecast over the MTFS period.

Following the results of the 2016 Valuation of the Firefighter's Pension Schemes employer contribution rates were increased by an average of 12.6%, resulting in additional costs for Staffordshire of around £1.8m per year. A Pension Grant has been received for the last few years from the Home Office covering 90% of this increase and this grant was guaranteed for 2023-24. It is built in annually into the MTFS and will be a pressure of £1.7m annually if the grant ends.

Firefighters pension scheme costs remain a significant risk over the medium term, particularly considering the McCloud judgement. To offset this risk the Commissioner has established a pensions reserve and made provision for additional employer pension contributions from 2024-25.

The Director of Finance / S151 Officer provided a statement on the robustness of the budget and adequacy of the proposed financial reserves and a review of this document does not identify any significant weaknesses in arrangements.

Financial sustainability (2 of 3)

The body plans to bridge its funding gaps and identifies achievable savings

The Service has an annual Productivity and Efficiency Plan, and a Service Transformation Board is in place led by the Deputy Chief Fire Officer. The Programme includes twenty workstreams aligned to service reform, these are focused on: corporate restructure, response and crewing, prevention and protection, and estates and shared services.

Since the change to single governance, collaboration between Staffordshire Fire and Rescue Service, Staffordshire Police and the Staffordshire Commissioner's Office has realised significant savings, totalling over £1m per annum through initiatives such as: combining shared enabling services (core HR, Finance, Estates, Communications and Procurement) (Shared Services), shared use of estate buildings and stations and single procurement processes to leverage economies of scale in purchasing.

The updated MTFS for 2023-24 to 2027-28 includes £1.1m of savings which are either delivered or significant progress has been made to date. The delivery of these savings was incorporated into 2022-23 delivery, the 2023-24 budget and MTFS are updated to reflect these savings. Additional cashable savings of £1.4m are required into the medium-term to ensure a balanced position is achieved by 2027-28, of which £1.3m is required by 2025-26. This gap reduced from the previously reported £3m due to more certainty being received from government funding. Savings options totalling over £2m have been presented to the Commissioner. Further worked up workstreams are available if needed to achieve further savings but these options will be harder to achieve without impacting frontline delivery.

A new crewing model is in place across the Service enabling wholetime crews to respond to emergency calls with a minimum crewing level of four firefighters (optimum level remains at five). This is delivering reduced overtime savings of £0.4m annually. This was one of the areas identified by the Inspection in 2021 from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). In addition, a further review of crewing policy has saved £0.2m annually. The service is currently trialling 3 crewing for some incidents, and this has led to a 12% increase in response performance.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Discretionary spend is prioritised to support the corporate strategy and managed within the available funding envelope. Prevention and Protection reform as part of the service transformation programme will create more efficient prevention teams and improve the level of collaborations on health outcomes and community safety. In terms of protection, continued investment is being made and the upskilling of operational staff will ensure a greater level of capacity is achieved to deliver more protection work in communities.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

We made an improvement recommendation in our Auditors Annual Report (AAR) 2020-21 to develop a Workforce Strategy. In our AAR 2021-22 we identified that work to develop the Strategy was ongoing, but it was not complete by September 2023, and we raise a further improvement recommendation on page 10.

However, the Service does have a workforce planning board that receives reports on staffing budgets by area and by forecast and variance. It includes planned retirement and leavers and is provided by month to 2025.

On 14 February 2022, the Strategic Governance Board received the Fire Capital Strategy and 3-year Capital programme for 2022-23 to 2024-25. The Capital Strategy aligns to the requirements of the Corporate Safety Plan and the four key priority areas: prevention and early intervention, protecting Staffordshire and its people, public confidence and service reform.

...continued next page.

Financial sustainability (3 of 3)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

During 2021-22, £0.4m was invested in capital projects, rather than the £6m estimated in February 2021. In our AAR 2021-22 we reported delays to capital programme, and these have continued in 2022-23 and 2023-24.

The total proposed Capital Programme for 2022-23 was £8.0m included £4.4m of carry-over from 2021-22 including a £1.9m slippage on Stafford station refurbishment. The 2022-23 programme also included £1.9m on ICT, including £0.426m reprofiled from 2021-22. By period 12 ICT had spent £0.476m or 25% of their budget. Capital outturn for 2022-23 showed a total capital spend of £3.24m against the expected £8m, or 40% of the planned capital programme for the year. The capital programme also included £5m in 2023-24 and £2.7m in 2024-25.

There are four main areas of spend which feature in the Capital Programme: estates and facilities, operational equipment, transport, and information systems and technology. As part of the capital programme for 2022-23 and 2023-24 the Commissioner committed the use of £1.2m of reserves to support the vehicle replacement programme, and £0.9m to support the station refurbishment work at Abbots Bromley and Brewood.

The refurbishment of Abbots Bromley fire station, cost £0.426m in 2022-23 and was part funded by the earmarked reserve created using the refinancing cash benefit from the PFI project (reinvestment back into the estate). This project was originally budgeted for 2018-19. This project completed during 2022-23 and is now operational.

The Stafford station refurbishment was originally included in the 2020-21 Capital Programme at a planned cost of £0.70m. Costs increased to £1.2m then to £2.3m by 2022-23 with no funds committed. This project was cancelled as it was not considered value for money.

The capital programme was impacted by Covid, product availability and capital cost increases and by staff capacity, especially in ICT. **We raise a further improvement recommendation on page 11 to improve capital programme management.**

The Mobile Data Terminal project implementation is an issue that is ongoing and impacting on building fire risk assessments. This is a software issue that has 3G compatibility problems meaning that crews cannot always access risk management building information. Part of the issue has been ICT capacity to try to resolve this. In 2023-24 the Service is looking at replacement software but have rolled out tablets to crews to provide them with back-up risk information. Resourcing in ICT has been an on ongoing issue for the last two years. Pay is not competitive. This capacity issue has impacted on the Information systems and technology element of the capital programme.

However, we recognise the Service is putting a new capital governance framework in place in September 2023 to address underspending on its capital programme. This will include a capital approval form and a capital tracker for performance against the programme. The Service is also reintroducing its Capital Review Group (CRG) to monitor the capital programme and ensure the correct governance process and financial regulations are followed.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The Service last reported its reserve strategy to members in February 2023 as part of annual budget setting. The general reserve balance is set at £1.9m for the MTFs period. The Service is making planned use of its earmarked reserve including for capital schemes. The earmarked reserve balance in February 2023 was estimated at £5m. This includes a pension reserve of £1.8m. A provision of £0.350m is held in reserves for 2023-24 to mitigate against undelivered savings. £0.5m from the PFI Reserve is allocated to support the refurbishment of Brewood Fire station. Earmarked reserves are expected to be reduced to £3.9m by 2026-27 in addition to the £1.9m in general fund balances.

Improvement recommendation 1

Improvement Recommendation 1

Ensure the Workforce Strategy is finalised and fully costed over the medium to long-term.

Improvement opportunity identified

Costing the workforce requirements over the medium to long term will enable finance to build assumptions into the MTFS and ensure the Service has the right blend of skills for the future.

Summary findings

We made an improvement recommendation in our Auditors Annual Report (AAR) 2020-21 to develop a Workforce Strategy. In our AAR 2021-22 we identified that work to develop the Strategy was ongoing, but it was not complete by September 2023.

Criteria impacted



Financial sustainability

Auditor judgement

Developing a costed strategy will enable the Service to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.

Management comments

The Service does have a workforce planning board that reviews the retirement profile and undertakes recruitment planning. The Service has approved establishment levels e.g. for crewing that are maintained and used for robust budget planning and incorporated into the MTFS. We will take forward this recommendation to translate the existing data into a workforce strategy.

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

Improvement recommendation 2

Improvement Recommendation 2

Improve the governance arrangements for the Service's capital programme to ensure the capital programme is delivered to time and budget and reasons for any variances are discussed promptly with mitigation put in place. The Services needs to address issues with its ICT capacity given the impact it has on the delivery of the capital programme.

Improvement opportunity identified

Capital spending is significant public money, and the Service needs to ensure it is using resources effectively to maximise benefit for its community.

Summary findings

The Service needs to improve the way it manages the whole capital programme and reflect accurate reporting. It is important to capture and celebrate programme successes and learn lessons. Capital reporting also needs to be more detailed and integrated with performance enabling members to see the total impact of the programme.

Criteria impacted



Financial sustainability



Improving economy, efficiency and effectiveness

Auditor judgement

Capital reporting needs improvement to include expected and actual programme benefits, track outcomes of capital spend and understand reasons for delays to programme delivery.

Management comments

The Authority has experienced some difficulty in the last 3 years delivering capital spend which has not been helped by supply and resource issues arising from Brexit, the Covid pandemic and more recently the war in Ukraine. One major project (Stafford) was also cancelled due to VFM concerns by management. However, management has recognised this issue and are implementing a new capital framework and capital tracking document. The spend position has improved significantly during 2023/24 with capital commitment already exceeding £3.5m and is on track to deliver a forecast c.£7m programme.

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

Governance (1 of 2)



We considered how the Service:

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

How the Service monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Service has a strategic risk register (SRR) that it reports to the Strategic Governance Board (SGB). The SRR includes a risk reference, link to the corporate strategy, risk title, risk, cause, risk impact, likelihood, gross risk mitigation and controls, residual risk, direction of travel and risk response, sets the three lines of defence, escalation and opportunities. It includes risk category, and a named risk owner and direction of travel is included in a separate tab.

Strategic risks are those that could have a significant impact on the ability of the Service to deliver its objectives. These risks are reviewed quarterly by the strategic risk management review group which is leadership team and operational managers. The Group also considers the Service's risk management approach and changes to the risk profiles. The Board currently acts as the Third Line of Defence for risks, and we include risk governance in our improvement recommendation.

There is a risk management framework for 2022-2024 that sets out multiple risk layers and roles but should include risk proximity, risk appetite and risk escalation in its next review.

We raise an improvement recommendation on page 14 in relation to risk. Risk needs to be embedded into finance and performance reports with clear links made to those risks in the SRR. The risk framework needs to include risk proximity, risk appetite and risk escalation in its next review. The Risk Group needs to be the second of defence with the third line being internal audit.

The Ethics, Transparency and Audit Panel (ETAP), performs the function of the Audit Committee. Internal audit function is contracted out to RMS. In 2022-23 RSM agreed an annual audit plan, updated the internal audit charter and agreed a medium-term audit strategy.

Internal audit opinion for 2022-23 and the Annual Governance Statement both identified adequate assurance with the need to enhance risk, governance and internal control. No high priority recommendations were made on seven audits completed in 2022-23, these included PFI contract, Freedom of Information Compliance, Firefighters' Pension Arrangements, Cyber Risk Assurance and key financial control audits. Of the seven audits six received substantial assurance and one partial assurance with a follow-up audit on previous recommendations showing reasonable progress.

The RMS team also provided support to the Service's participation in the National Fraud Initiative and assessed fraud risk through its audit process.

How the Service approaches and carries out its annual budget setting process

As part of the annual budget process, the Service uses scenario planning sessions and options are discussed and developed with the Staffordshire Commissioner to meet the medium-term financial challenges. Options are considered through the service transformation programme workstreams which involve staff.

The budget process is the same each year. For the 2022-23 budget, it started in October 2021 with a full consultation with all budget holders and representative bodies for six weeks using a zero-based budget exercise. All budget holders were required to attend a budget challenge session which reviewed budget proposals, identified efficiencies and mitigated 2021-22 in year cost pressures.

Governance (2 of 2)

How the Service approaches and carries out its annual budget setting process (continued)

A Principal Officer and Finance attended each major budget challenge meeting to ensure an appropriate and proportionate level of scrutiny. A formal public consultation took place between 14 December and 11 January which resulted in responses from 964 people from Staffordshire and Stoke-on-Trent and informed budget setting including the precept. Consultation also took place with representative bodies. This process was followed for 2023-24 budget setting.

The draft budget was in place by early December with further budget consultation and budget presentations to the Strategic Governance Board and Service Management Board before the public Ethics, Transparency and Audit Panel (ETAP) finance panel meeting in January and the Police, Fire and Crime Panel agreed the budget and set the precept on 14 February 2022.

How the Service ensures effective processes and systems are in place to ensure budgetary control

A monthly Resource Control Report is shared with members of the Service Delivery Board (SDB) and published on the Intranet for all staff together with a monthly Finance News Publication. A budget monitoring report is considered quarterly at the SGB. The Finance Panel, which is a sub-group of the ETAP reviews budget monitoring reports bi-monthly and reports to ETAP through the Finance Panel Chairperson.

We raise an improvement recommendation concerning the capital programme on page 11.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Fire Service has a corporate governance framework updated annually and approved by the SGB. It was last updated in January 2023.

In May 2021, the Fire Standards Board published the Code of Ethics, adopted by the Service. A LearnPro module was developed to support everyone's understanding of the Core Code of Ethics and set out the Service's expectations. During 2022-23 culture sessions have been held for staff where the Core Code of Ethics was discussed. These sessions were attended by Chief Fire Officer to set the right tone.

The Authority has adopted the CIPFA Code of Practice on Treasury Management and has reported on Treasury Management annually and agreed its prudential indicators. It is compliant with CIPFA financial management code. It has set out how it meets statutory requirements relating to Fire Services and requirements around Building Safety.

There is no evidence of a serious data security breach or significant cyber-attack in 2022-23. Internal Audit gave a substantial assurance rating to cyber arrangements in 2022-23.

The Service has climate change targets and is working to move its smaller vehicles to electric and reduce the carbon impact of its properties. The Service has published its Environmental & Sustainability Strategy 2022-2027 and RSM is undertaking a full ESG audit as part of the 2023-24 Internal Audit Plan to help inform the MTFS and budget setting process for 2024-25.

Improvement recommendation 3

Improvement Recommendation 3

The Service needs to further improve risk management by:

- ensuring that risk is embedded into finance and performance reports with clear links made to those risks in the SRR.
- including risk proximity, risk appetite and risk escalation in the next review of the risk framework and embedding these into the SRR.
- making the risk group the Service's second of defence with the third line being internal audit.

Improvement opportunity identified

Effective risk management enables Services to improve governance, confidence and trust; set strategy and plans through informed decision-making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

Summary findings

Risk is not sufficiently integrated into finance and performance reports. Reports are joined up to the SRR risks. Having a clearer escalation policy will enable managers to understand how to escalate and de-escalate risk.

Criteria impacted



Governance

Auditor judgement

While we found some good practice in relation to risk, we also found areas of risk management that need improvement.

Management comments

The points regarding risk proximity, risk appetite and risk escalation will be considered at the next strategic risk review. All reports submitted through strategic governance meetings are required to assess risk in a separate section of any report to ensure that full consideration has been given. ETAP also provide an important check on our risk framework and this recommendation with also be considered by the panel.

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

Improving economy, efficiency and effectiveness (1 of 3)



We considered how the Service:

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

Use of financial and performance information

The strategic priorities are set out in the Staffordshire Commissioner Fire and Rescue Plan 2021-24 and the Service's Corporate Safety Plan 2020-24.

Staffordshire Fire Service has 4 priorities: prevention and early intervention safety campaigns; protecting Staffordshire and its people by responding to the COVID-19 pandemic; public confidence in His Majesty's Inspectorate of Fire & Rescue Services (HMICFRS) inspection; and service reform.

These plans are delivered through an annual plan. The annual plan is also informed by improvement delivery following the inspection report from His Majesty's Inspectorate of Fire & Rescue Services (HMICFRS) and the Fit for the Future initiative.

The Service has a well-established and robust performance management framework, and reports are regularly monitored by senior management using a mix of qualitative and quantitative performance metrics.

Internal performance is reviewed through service delivery performance meetings, which are reported through areas such as the response team performance meeting and then summarised through a senior team performance meeting covering response, prevent and protect, human resources and service improvement.

Performance reports then go to the SDB and the SGB. The SGB also scrutinise detailed financial reports quarterly.

The directly elected Commissioner holds the Chief Fire Officer to account for the service in public performance meetings. In 2022-23 external performance scrutiny focused on the impact of the COVID-19 pandemic on performance, prevention activity during the pandemic, police and fire service collaboration, funding and precept. The public performance meetings focused on performance against the Safety Plan 2020-2024.

The Service is improving productivity to create capacity and performance for the wholetime crews. In 2022-23 the Service introduced a revised operational response model creating more effective and efficient use of available wholetime and on-call firefighters to improve fire cover and enhance the level of public safety. This new response model is more aligned with the majority of other FRS's which means that minimum levels of crewing is now four with the optimum crewing figure still five. This change is seeing improved performance and reduced overtime payments.

Improving economy, efficiency and effectiveness (2 of 3)

How the body uses information about its costs and performance to improve the way it manages and delivers its services

HMICFRS is responsible for the independent inspection of England's 45 fire and rescue services and its police forces. HMICFRS use a system of graded judgments to assess the three criteria; 'Outstanding', 'Good', 'Requires Improvement' and 'Inadequate'. The Service was inspected in Autumn 2021 and the inspection report released in July 2022. The Service was rated as good for effectiveness, requires improvement for efficiency, and requires improvement for people.

The inspectors rated the Service 'Good' at getting the right people with the right skills, managing performance and developing leaders and looking after the health, safety and wellbeing of its staff. There were several areas rated as 'Requires Improvement' including: protecting the public through fire regulation, responding to fire and other emergencies, making the best use of resources, promoting the right values and culture, and ensuring fairness and promoting diversity.

The Service established a Transformation Board in February 2022 with 20 short to medium-term workstreams for improvement linked to the MTFS with representatives from across the service they also have a HMICFRS action tracker in place. This work is led by the Deputy Chief Fire Officer. This responds to the HMICFRS report and is also driving £2m of savings. The Service has undertaken several scenario planning sessions to provide a range of saving solutions and improve efficiency.

In 2022-23 a positive Ofsted report was received for the Operational Firefighter Apprenticeship Scheme looking at quality of education (graded Good), Behaviours and Attitudes (Outstanding), Personal Development (Outstanding) and Leadership and Management (Good), with the whole apprenticeship scheme graded as Good.

Fire and Rescue services have no national VFM benchmarking unlike local government and police. Staffordshire is currently working with Buckingham and other FRAs to develop some VFM benchmarks. The pilot for 2023-24 shows Staffordshire spends 58% of its budget on operational costs compared with an average of 61% and 16% on operational support costs compared with 18%. Staffordshire performance to the mean for population vs. core expenditure and vs. operational costs..

One element of the Service's transformation programme is to create a more efficient, flexible pathway of management and attract the best future leaders into the service. The corporate restructure is now complete. It removed an Assistant Chief Fire Officer Post and two Group Managers and introduced three Area Manager Posts.

Delivering with significant partners and engaging with stakeholders

Mutual aid arrangements are in place with neighbouring fire and rescue services to provide resilience for cross-border, large scale or complex incidents where additional resources are needed. The Service supports the Staffordshire Civil Contingencies Unit, which co-ordinates multi-agency training, planning for, and responding to, complex incidents. The Service contributes to the national resilience programme and makes assets and resources available to support across the country on major incidents.

Joint response bases for Fire and Police are in place at Hanley, Tamworth and Chase Terrace with further sites identified at Uttoxeter, Stone, and Kidsgrove. Options for a joint response base are also being developed for Stafford in addition to a more collaborative use of Police and Fire headquarter sites. Shared Services are in operation for Human Resources, Finance, Communications, Property, Commercial Services and operated a combined vehicle workshop facility. Sharing buildings and back-office functions are already delivering savings of over £0.5m per annum for the Fire Service, with a further £0.2m expected by 2024-25.

In July 2022, the Service introduced additional training to help its emergency service colleagues spot risk factors around the homes of vulnerable people during visits – including nurses, councillors, and police officers by moving its Olive Branch training to online delivery. By having the Falls Response Team, the Service can support the most vulnerable in the community and identify residents who need safety and preventative support.

Improving economy, efficiency and effectiveness (3 of 3)

Commissioning and procurement

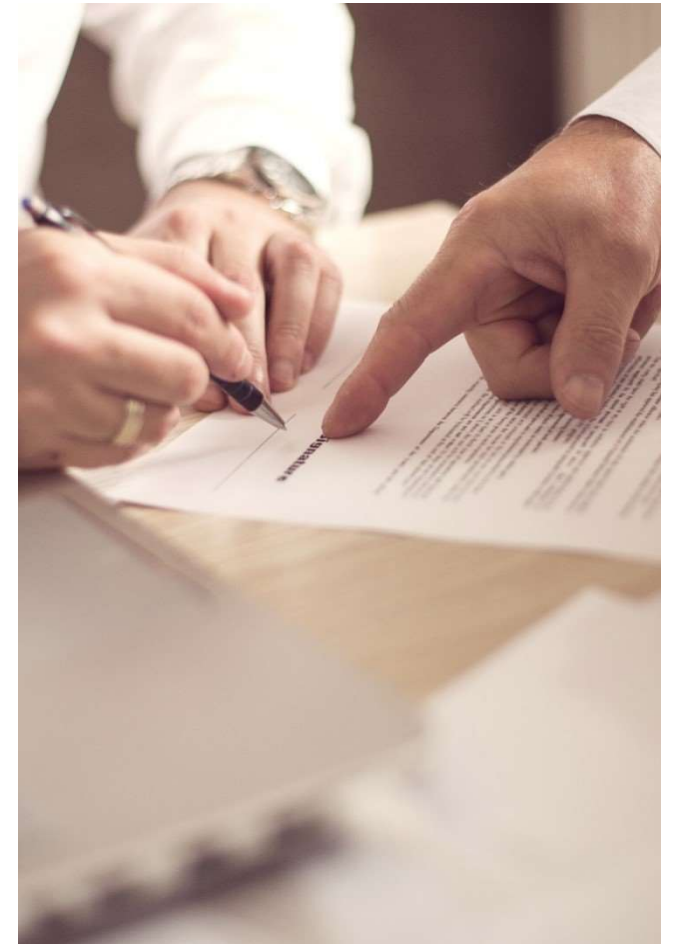
The Procurement Strategy 2021-24 shared with the Police and the Commissioner's Office. It sets out medium term procurement objectives. Contract standing orders were up-to-date in March 2023. A contracts and procurement pipeline in place and reported quarterly to the SGB. Procurement use social value in the scoring and weighting of tenders. This is a 10% weighting for all tenders.

For procurement projects under £100,000 the Chief Finance Officer (or the Commissioner if the expenditure is from the SCO budget) must approve any exemption, prior to any contract being awarded. There is a requirement to seek three quotes for total expenditure between £10,000 and £24,999 and to tender over £25,000. There is a clearly documented process for exemption requests which are required on all variations from contract standing orders.


For procurement projects over £100,000 any exemption must be approved by the Commissioner. Commercial Services will keep a register of exemptions granted detailing the nature and value of the contract, the circumstances justifying the exemption and the name of the Supplier awarded the contract.

We identify an improvement recommendation to update the contracts register on blue-light e-procurement as it shows contract values, and processes are not completed (see page 18).

Staffordshire Fire and Rescue Service had a building portfolio consisting of 35 premises of these 21 are Private Financed Initiative (PFI) buildings. The PFI buildings are managed by the Shared Services Estates Team and building maintenance is outsourced to two contractors; Equans Facilities Management and Kier Facilities Management. In 2022 RMS delivered an internal audit and found the Service had robust procedures in place regarding the management of the PFI contracts, and signed contract documentation is in place. Roles, responsibilities and accountabilities of the PFI Contractors are documented in the PFI contracts, and the Service Estate Teams contract responsibilities are in their job descriptions.



Improvement recommendation 4

Improvement Recommendation 4	The Service should ensure that the contracts register on the blue-light e-procurement is updated to show contract values, and what process was followed for each procurement.
Improvement opportunity identified	The Service can improve its procurement processes by ensuring the contracts register is updated and performance managed.
Summary findings	The blue-light e-procurement portal for the service is not up to date and is not showing values for all contracts or the process followed.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in the Service's procurement arrangements which is not significant, but we raise a recommendation to support management in making improvements.
Management comments	The Commercial team are very diligent in their approach to holding data, tracking spend and demonstrating value for money. There are a number of factors arising from the blue-light-e-procurement being migrated onto a new portal (Intend) which has resulted in the system not being fully updated due to long periods of system downtime and delays which has led to this recommendation.

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

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Service should continue to carefully manage its capital projects, to reduce the backlog of projects.	Improvement	February 2023	We find the capital programme is still experiencing significant slippage and we raise a further improvement recommendation. We note a capital review group is being set-up to improve capital programme management.	No	Yes, we raise an improvement recommendation on page 11.
2	The Service will need to identify further efficiency savings to balance its budget in the medium-term.	Improvement	February 2023	Efficiency savings over £2m are identified and agreed by the Commissioner which meet the current funding gap. Additional savings options are worked up as part of the Service Transformation Board.	Yes	No
3	The Service should ensure that members of the SDB consider the Service's performance compared with other family group 4 authorities and SDB monitors progress in addressing areas of relative weakness.	Improvement	February 2023	Discussion was planned for June 2022, but it was postponed and needs to be completed.	Partially	Yes, the service still need to incorporate benchmarking and is working with national colleagues to strengthen arrangements

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Service's financial statements:

- give a true and fair view of the financial position of the Service as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

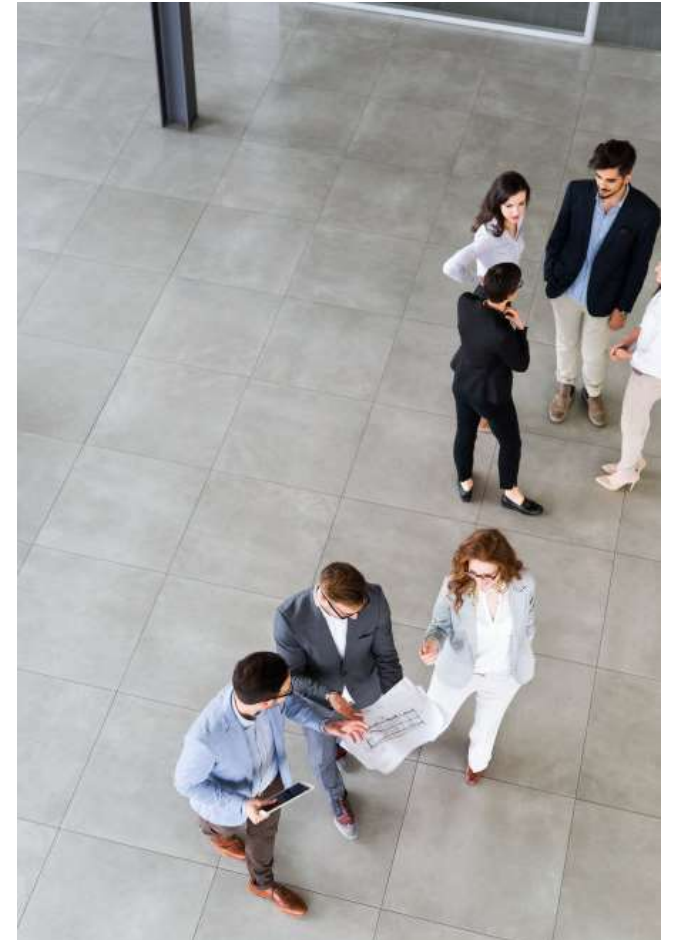
We are independent of the Service in accordance with applicable ethical requirements, including the Financial Reporting Service's Ethical Standard.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Service's financial statements in December 2023, subject to completion of outstanding audit work.

The full opinion will be included in the Service's Annual Report for 2022/23, which can be obtained from the Service's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- The Audit Plan for the year ended 31 March 2023 was reported to the Ethics, Transparency and Audit Panel on 24 May 2023
- The service provided draft financial statements in line with the national timetable and our main fieldwork was undertaken between July and August
- In the period subsequent, we have continued to liaise with officers to complete outstanding audit procedures and are now in a position whereby our audit is substantially complete.
- We are currently awaiting assurance from the auditor of Staffordshire Pension Fund in order to conclude our procedures on the Local Government defined benefit pension scheme. We expect to receive this assurance in late November or early December. Shortly thereafter, we anticipate being able to finalise our work and issue an opinion on the financial statements in December.

Findings from the audit of the financial statements

As noted, our work is currently ongoing and therefore we will report our findings in the audit findings report on conclusion of procedures. To date, no significant issues have been identified.

Audit Findings Report

More detailed findings can be found in our AFR, which is planned to be published and reported to the Service's Audit Committee on 23 November 2023.

Requests for this Audit Findings Report should be directed to the Service.



Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which is planned to be published and reported to the Service's Audit Committee on 23 November 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Service's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

In line with group audit instructions, as the Fire Authority are below the reporting threshold for Whole of Government Accounts, no detailed procedures are required.



Appendices

Appendix A – Responsibilities of the Service

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

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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	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 Service, but are not a result of identifying significant weaknesses in the Service’s arrangements.	Yes	10, 11, 14 and 18

