

# Annual Audit and Inspection Letter

**Hereford And Worcester Fire And Rescue Authority**

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

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

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

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

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

### **Status of our reports**

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

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

Reports prepared by appointed auditors are:

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

### **Copies of this report**

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## Key messages

- 1 The Authority has mixed performance across its priority areas this year. While it remains amongst the best performers in terms of minimising deliberate and accidental fires, the level of incidents have risen this year. Deaths and injuries from fire have increased but it made a strong contribution to the safety of local residents and businesses in its response to the flooding this summer.
- 2 Community safety work in schools is good and the FRA works well with partners in Herefordshire to improve the safety of vulnerable people. However, current evidence does not demonstrate how comprehensive or coordinated it is. The authority is proactive in seeking to ensure the safety of migrant workers. Equality and diversity remains strong and is improving.
- 3 Performance in relation to value for money is good. The service is planning well for the future, and capacity has improved in some areas following the restructure. The focus on improving operational performance needs re-enforcing now the structure is embedding. Even so, it is well placed to sustain, and build on improvement in earlier years.
- 4 Your auditors gave unqualified opinions on the Statements of Accounts and on the VFM conclusion.

## Action needed by the Authority

- 5 The FRA should ensure that:
  - performance management in terms of operational response and delivery is strengthened;
  - community safety work is comprehensive and coordinated; and
  - capacity is improved through embedding the new structure effectively.

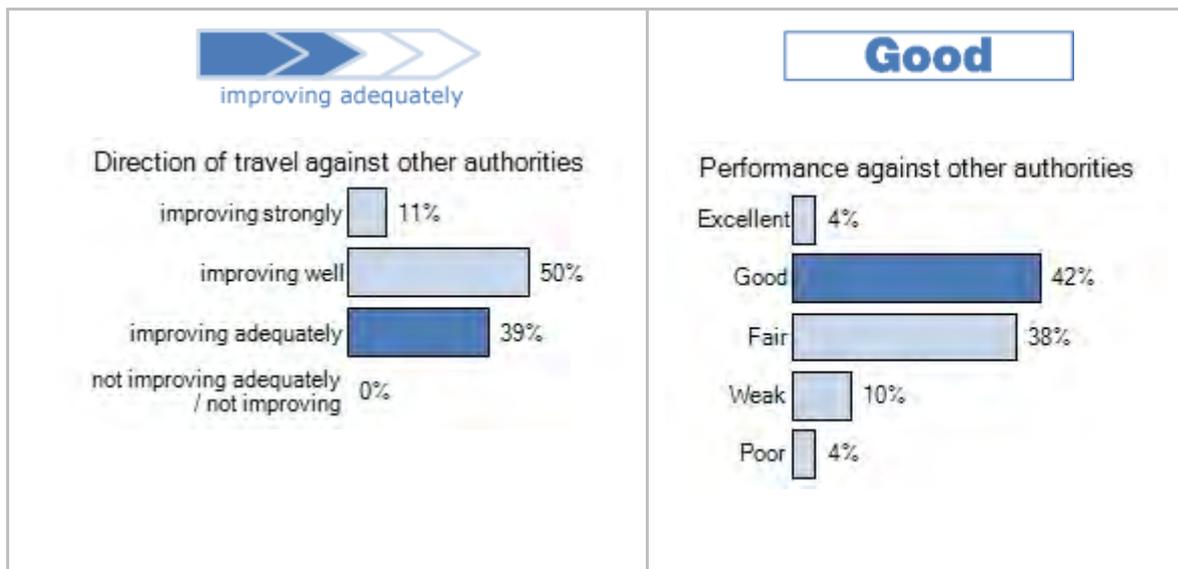
## Purpose, responsibilities and scope

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

## How is Hereford and Worcester Fire and Rescue Authority performing?

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

**Figure 1 Overall performance of authorities in CPA**



## The improvement since last year - our Direction of Travel report

### Overall performance

- 13 The FRA is performing well across its priority areas and in relation to national framework targets.

- 14 The authority provides good value for money. It achieves moderate to high levels of performance at below average costs and budgets are closely monitored and managed. Targeted efficiency gains have consistently been made; in the last year these amounted to £832k, equivalent to 3.4 per cent of operating expenditure. The service has made savings of £135k related to shift and crewing changes, £404k in human resources and £228k in corporate services. Good value for money is being achieved for local taxpayers.
- 15 In the last year performance has deteriorated across some areas of activity: When performance is adjusted for deprivation and averaged over the three years for the service assessment, the FRA has retained its level 4 score. Key items to note are as follows.
- Despite increases in most measures of fire prevention, the FRA remains in the top twenty-five per cent with relatively low numbers of primary fires, accidental dwelling fires and deliberate fires.
  - The increase in deaths, injuries and other measures of operational response such as fires confined to room of origin and the proportion of people escaping unharmed have taken the FRA into bottom twenty-five per cent in 2006/07.
  - Overall, the FRA has 30 per cent of its performance indicators (PIs) in the top quartile and 24 per cent in the bottom quartile.
  - In the last year, only 34 per cent of its PIs have improved and 42 per cent have deteriorated.
- 16 Although, the FRA's rate of improvement has not been as significant as 2006/07, it has experienced major challenges over the year such as July flooding. It is well placed to sustain, and build on, this level of improvement.

### **Response to summer flooding**

- 17 The authority made a strong contribution to the safety of its residents and local businesses in providing a coordinated and effective response to the severe flooding last summer. This was at both a local and a national level, through hosting the national command centre.
- 18 Activity increased one hundred fold overnight. Command and control was successful and advanced preparation enabled the FRA to mobilise all of its staff to respond in many different roles from their normal job.
- 19 The Command Suite became operational prior to both flooding events and allowed the management team to formally prepare for the forthcoming potential major incidents. Plans were established, resources relocated and communications established with other agencies, before any significant flooding had occurred.

- 20 One thousand rescues were made in 24 hours and a community safety focus was quickly introduced. A rounded response followed from feedback into silver command and learning from other FRAs so that residents felt better access to sandbags. Fire-fighters provided eyes on the ground and reassurance to people in shock. This informed the media strategy and the approach by the local resilience forum. All fire-fighters had received basic water safety training and worked well with experts from other brigades so that many lives were saved and property safeguarded. This provided a tangible difference to local people.

#### **Operational delivery.**

- 21 Mixed progress has been made in operational delivery since last year.
- The successful pilot scheme in which whole time and retained duty staff were working to crew a second fire appliance over times of highest risk has yet to be rolled out. Further piloting this summer had to be rescheduled as a result of the floods. So, the benefits have not been fully realised.
  - National response standards are still in place, although changes are planned in the Integrated Risk Management Plan (IRMP) 2008/09. Areas for improvement identified by the Operational Assessment of Service Delivery have partly been addressed.
  - The successful completion of the command room in March 2007 provided a strong base for the FRA's response to the summer flooding

#### **Community Safety and vulnerable people**

- 22 The FRA has begun to improve the targeting of its community safety activity. Much of the service's community safety activity has been concentrated on schools education programmes provided at key stages 2, 3 and 4.
- Water safety courses have reached 90 per cent of year 5 pupils in Worcestershire
  - The 'Dying to Drive' campaign has reached 1,000 pupils in Herefordshire.
  - There has also been targeted activity to reduce arson by work with juvenile fire setters.
  - However, only a small proportion of high risk properties have had Home Fire Safety Checks. The risk for these residents particularly those without school age children have not been mitigated.
- 23 The FRA is responding to the needs of some of its vulnerable people. In Herefordshire, a signposting scheme involving a partnership of different agencies set up to support vulnerable adults, is working well. It provides a single point of contact for community based services'. The signposting scheme has just been extended to Worcestershire but this is more challenging given the two tier of administration. Improving fire safety equipment and installing new smoke detectors for the most vulnerable contributes to mitigating the risk highlighted above.

- 24 Access to, and the quality of, service is improving for the hard to reach groups, with knowledge sharing developing amongst partners. Some 25,000 migrant workers visit Herefordshire for up to 6 months at a time, for agricultural work. The FRA plays a key role in a multi- agency approach using varied methods is used to improve their safety, particularly through the fitting of smoke alarms in caravans. The FRA performs well in equality and diversity, having operated at Level 3 of the Local Government Standard for the last few years. It is continually investing in this area, with regular training. It has improved the accessibility of all published documents to conform to the Disability Discrimination Act and the web-site has been improved. The FRA plans to reach Level 4 of the standard by March 2008.

### **How much progress is being made to implement improvement plans to sustain future improvement?**

- 25 The FRA has robust improvement plans. Key plans are:
- detailed and integrated;
  - cover the medium to long term;
  - and support the vision and aims of the authority.
- 26 However, plans are not clearly outcome focused. Financial planning is driven by the Integrated Risk Management Plan (IRMP) and performance planning. Plans are communicated effectively through performance posters and visits by a member of the IRMP team. The 3 year People Strategy 2007/10 has been approved this year and clearly aligns national and regional strategies with the objectives of the organisation. The equality and diversity strategy has also been updated to include all six areas of equality legislation.
- 27 The FRA's performance has suffered through the restructure which commenced in 2006. Particular areas of the organisation became less focused on improving operational performance in this period. Early indication of the failure to hit targets through quarterly reporting did not result in clear actions to address this. As a result performance for 2006/07 deteriorated across key areas and the authority was one of the least improved in the country this year.
- 28 Improvement planning is being implemented adequately. Most of the FRA's key objectives and milestones have been met, particularly in finance and procurement. However, the pace of improvement has been slower in operational delivery and community safety.
- 29 The culture of the organisation has changed becoming less hierarchical.
- Retained staff in Herefordshire report more effective engagement with their needs.
  - The previous discipline in relation to the timeliness of incident recording slipped earlier in the year. A programme manager has now been established to strengthen performance management.
  - Some inconsistency is reported in staff management. This makes it more difficult to address performance issues.

### **Management capacity**

- 30 The service presents a patchy picture on capacity this year. It has been difficult to embed the new structure as there has been a high turnover of middle managers. It is clear that the service has some issues to address in terms of capacity to ensure the smooth running of the organisation; however we do not expect these to form a barrier to improvement.
- Training staff to be competent using new equipment and in water safety has been challenging.
  - Health and safety reported an increase in station based injuries and a slight increase in injuries at fires.
  - HR has been restructured to add capacity as it has been struggling to stay up-to-date with policy workload. While the sickness of whole-time fire-fighters has improved slightly from 9.6 to 9.2 days, that of all other staff has increased from 8.5 to 9.7 days moving the authority from the top twenty-five per cent of performers to the bottom. However, this has recently been turned round. and there were no ill health retirements in 2006/07.
  - There has been significant investment in IT over the last year, with improvements to access and productivity for staff in normal working hours.
  - Although, operational staff report that systems are slow, maintenance cover is now provided 24/7 so that crashes at weekends are promptly resolved. Financial capacity is improving.
  - A new financial system has been introduced to support better benchmarking and financial management.

### **Partnership working**

- 31 The FRA is developing its work with partners to improve its capacity. More influence is enjoyed at a strategic level, with the service now leading the performance management group of Worcestershire's Local Area Agreement. A more robust approach to evaluating partnerships is currently out for consultation.
- 32 The FRA has been an active contributor to the Regional Management Board (RMB) work programme. The RMB has achieved much of the work laid out in the national framework. Five of the seven thematic projects have now been completed. These are fire safety; response; resilience; resources and performance, leaving an almost complete procurement project and the regional control room project. The RMB is now planning its programme around the 2008/11 National Framework. Its main focus is the development of the national Regional Control Room (RCC) project.

## Service assessment

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

**Table 1 Fire and rescue service assessment**

Element	Assessment
Performance indicator	4
Operational assessment of service delivery	3
<b>Overall fire and rescue service assessment</b>	<b>4 - Performing strongly – well above minimum requirements</b>

*Source: Audit Commission*

### Operational Assessment of Service Delivery

- 35 DCLG's 2006 operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG as part of their assessment of Hereford and Worcester Fire and Rescue Authority.

- 36 Hereford and Worcester Fire and Rescue Service (HWFRS) have strong operational leadership and enjoy good industrial relations with all Representative Bodies. The Service is committed to the Comprehensive Performance Assessment (CPA) process as a driver for change. The Service has embarked on an energetic pace of change and is making a significant contribution to the wider community safety agenda through strong leadership and clearly defined objectives. The change agenda is inclusive and represents the views of all staff. HWFRS have forged strong links with partner organisations and in many cases take a lead in actions to achieve overall objectives. Overall HWFRS is performing well, particularly in relation to risk analysis, and broadly in prevention and protection and call management incident support and emergency response. In terms of prevention and protection the service is engaged with a range of partners and has a strong preventative culture growing. Operational preparedness contains notable practice emergency response includes examples of good regional liaison.

## The audit of the accounts and value for money

- 37** Your appointed auditor has reported separately to Audit Committee on the issues arising from our 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your VFM arrangements to say that these arrangements are adequate on 28 September 2007; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.

### Use of Resources

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

**Table 2**

Element	Assessment
Financial reporting	4
Financial management	3
Financial standing	3
Internal control	3
Value for money	3
<b>Overall assessment of the Audit Commission</b>	<b>3</b>

*(Note: 1 = lowest, 4 = highest)*

## The key issues arising from the audit

- 40 The preparation of the annual financial statements is a vital process in the financial stewardship of the Authority. The Authority has for several years put arrangements in place for the early closedown of the accounts. This year, once again, the Authority set itself a challenging deadline for the completion of the accounts and audit process and was successful in achieving this deadline
- 41 Three minor unadjusted misstatements were reported to those charged with governance.
- 42 Work on use of resources undertaken in the autumn of 2007 resulted in increased scores for financial reporting, from 3 to a maximum score of 4, and for internal control, from 2 to a score of 3. In order to achieve an overall score of 4, at least 3 criteria must be scored 4 and no criteria should be scored lower than 3. These results therefore place the Authority in a good position for future increases, however if the Authority is seeking to improve its score in any area, or to ensure that scores achieved this year are not reduced during future assessments, due to non bold criteria becoming bold, consideration should be made of how future years' criteria are changing.
- 43 Since the report to those charged with governance was made by your appointed auditor in October 2007 a number of significant reports have been made to members. In December 2007, the Treasurer informed the FRA that following the provisional grant settlement announcement, based on a precept increase of 3.5 per cent, significant budget gaps existed for the next three years.
- 44 An updated report made in February 2008 presented the proposed budget for 2007/08 and the updated Medium Term Financial Plan (MTFP). The provisional grant settlement announcement was confirmed as unchanged.
- 45 The recommended Net Budget Requirement was therefore £29.311m after planned use of reserves of £0.217m. This is an increase of 3.6 per cent over the previous year and requires a precept increase of 4.92 per cent. Government policy is to keep average council tax increases significantly below 5 per cent. As the grant settlement does not provide for any real growth in the budgets, capacity for improvement is dependent on releasing funds through greater cost efficiencies.
- 46 General revenue balances are expected to be around £1.2million by the year end and continue to be considered to be adequate.
- 47 The MTFP requires substantial efficiencies to be identified in future years (£225,000 in 2008/09 rising to £525,000 through 2009/10 and 2010/11 and £250,000 in 2011/12) and is sensitive to risks of unexpected increases in costs such as pay awards, pensions and fuel costs.

## Additional services

- 48 No additional services were provided during the year.

## Looking ahead

- 49 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 50 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 51 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.
- 52 We are currently considering issues which may be relevant to our audit of the 2008/09 financial year and will be discussing these soon with officers prior to bringing our plan to the Audit Committee. One aspect which we currently consider would be beneficial would be an audit of your performance management arrangements and how this links with and informs operational management.

## Closing remarks

- 53 This letter has been discussed and agreed with the Deputy Chief Fire Officer. Copies need to be provided all Authority members.
- 54 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

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**Table 3      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	October 2006
Annual Governance Report	October 2007
Opinion on financial statements	October 2007
Value for money conclusion	October 2007
Direction of Travel	January 2008
Annual audit and inspection letter	March 2008

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

## Availability of this letter

- 56 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Authority's website.

**Elizabeth Cave**  
**Relationship Manager**

March 2008