

Auditor's Annual Report on Devon and Somerset Fire and Rescue Authority

2020-21

January 2021



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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.



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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 Service 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



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Fire 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 overall arrangements, as well as key recommendations on any significant weaknesses in Fire Authority's arrangements identified during the audit.

Auditors are required to report their commentary on the Fire Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Fire Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are summarised in the table below.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendation has been made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations have been made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendation has been made

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



Financial sustainability

The Authority has a good track record of sound financial management and delivered an underspend of £2.33m in year; which is in excess of that forecast throughout the year. This has been largely achieved due to the receipt of additional COVID-19 funding and reduced costs in relation to travel.

The Authority's draft financial statements report that the usable reserves have increased from £38.8m to £46.4m.

Overall we are satisfied that the Authority had appropriate arrangements in place to manage the risks it faced in respect of financial resilience. We have not identified any significant risks of material weakness but have identified opportunities for improvement. These reflect the importance of identifying further savings/income generation schemes and ensuring that these are linked clearly to the safer together programme, and are monitored and reported against separately. This will improve the transparency of reporting and ownership of delivery. Our findings are set out in further detail on pages 5 to 7.



Governance

Overall, we found no evidence of significant weaknesses in the Fire Authority's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified opportunities for improvement. These are in relation to ensuring the Authority has all performance information in one place to aid decisions making, enhancing the functionality of the Sharp Cloud risk management system and ensuring the Authority's subsidiary company's governance arrangements are continually assessed as it grows and develops. These recommendations are aimed at improving decision making. Our findings are set out in further detail on pages 8 to 10.



Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified areas for improvement. These are in relation to ensuring that partnerships are formally recorded on a register and monitored and that the Authority explores further opportunities to benchmark and learn from other organisations. Our findings are set out in further detail on pages 11 to 14.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 28 October 2021, following the Audit and Governance Committee meeting on 28 October 2021. Our findings are set out in further detail on page 20.

Commentary on the Service's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 14. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Service:

- 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.

Identifying and addressing financial pressures

Our work has identified that the Authority has robust budget setting, monitoring and reporting arrangements in place, whereby budget holders are challenged on their budgetary requirement each year. This is facilitated through a number of challenge meetings. This ensures that base budgets are not just rolled forward, and that any unrequired budgets, based on prior year outturns and future demands are stripped out. In future years, the Authority aim to enhance this further by using activity-based costing to better understand what drives costs and also implement zero based budgeting.

Our work has identified that despite the uncertainty regarding funding, the Authority has robust arrangements in place for delivering financial sustainability. This is based on a strong and proven track record that has led to savings totalling £13.9m being delivered for the five years to 2020/21.

As part of the financial planning process the Authority undertook scenario planning when looking at key assumptions and therefore presented a range of options to members. These range from a worst case scenario, where council tax increases are frozen, to where council tax is raised in line with National guidance and the assumptions around additional expenditure do not materialise. The Authority have based the medium financial plan around a mid-point of the two which avoids the plan being either overly cautious or optimistic.

The key assumptions that drive costs over the medium term are:

- Pay increases;
- Inflation;
- Pension increases;
- Reduction to one off grant income; and
- Capital investment

We have reviewed the assumptions used by the Authority and, based on the evidence available, these appear to be reasonable. For 2021/22 no pay increase was included based on national guidance. A 1.5% increase has been subsequently announced and adds a further £0.85m cost pressure to the budget gap set out in the Medium Term Financial Plan (MTFP), approved in February 2021.

The MTFP approved in February 2021 sets out a budget gap to 2024/25 of £7.2m. This could rise to £17.3m under the worst case scenario planning and £3.8m under the best case. The latest reporting to the Authority confirms that the current gap has increased to £8.4m from £7.2m due, in the main, to the additional cost pressure set out opposite.

Bridging the gap and delivering sustainable services

As the Authority has already delivered significant cumulative savings, the opportunities for delivering further meaningful savings becomes increasingly challenging. Under each scenario that challenge is therefore significant. At present progress has not started in identifying savings to close this £7.2m budget gap (although assumptions are prudent). The current budget gap in agreeing the 2022/23 budget is c£6m. We would therefore recommend that realistic and deliverable schemes are identified and implemented at the earliest opportunity to address this gap, as there is often a considerable lead time in achieving cashable savings.

The Safer Together programme aims to align spend to strategic risks. Progress to date includes closing two fire stations, and reducing capacity in others. These service reductions are aligned to service risk.

Based on the actions taken to date, it is clear that the Authority has developed adequate arrangements to make and implement decisions to deliver financial sustainability and are making progress around service transformation aligned to risk.

At present, the Authority do not separately identify and report progress against individual savings programmes. In addition, from our review we noted that the link between the MTFP (budget gap), budgeting process and the Safer Together programme could be made more explicit. For example, by identifying profiled savings schemes that reconcile to the identified budget gaps. This will:

- allow progress against each scheme to be more clearly monitored and reported;
- increase ownership of budget holders; and
- ensure that where service lines underspend the reason is understood and attributable to the schemes identified.

We have therefore made the following improvement recommendations:

- the Authority should progress work at pace to identify schemes to address the future budget gap to prevent the unnecessary use of reserves;
- progress against individual saving schemes identified should be separately monitored and reported, and
- the Authority clearly show the link between the MTFP budget gap and the schemes identified to close that gap through the Safer Together programme to increase the transparency of reporting and ensure accountability and ownership of schemes.

Consistency with other plans

Due to the significance of staff expenditure in the overall budget, it is important the Authority's workforce plan is aligned to its financial plans. The workforce plan is primarily driven by the retirement profile of the staff which informs the budget planning process. Assumptions around staff costs, including pay inflation, shift patterns, recruitment of apprentice firefighters, requirement for additional capacity in support functions, and vacancy factors are central to the considerations of the annual budget. We have not identified any instances of the budget not being consistent with the workforce plan.

The other significant plan is the Fleet Asset Management Plan which is mostly focussed on the management and replacement of existing vehicle and other fleet assets. The plan factors in whole life costs of replacing assets, rather than just the upfront purchase cost. The Fleet Asset Management Plan is built into the capital budget and strategy alongside plans for larger projects.

The main risk facing the Authority's capital plan is slippage, rather than overspend. In 2020-21, there was estimated slippage of £6.3m to the 2021-22 annual capital budget of £11.2m. This is due to timing differences on delivery.



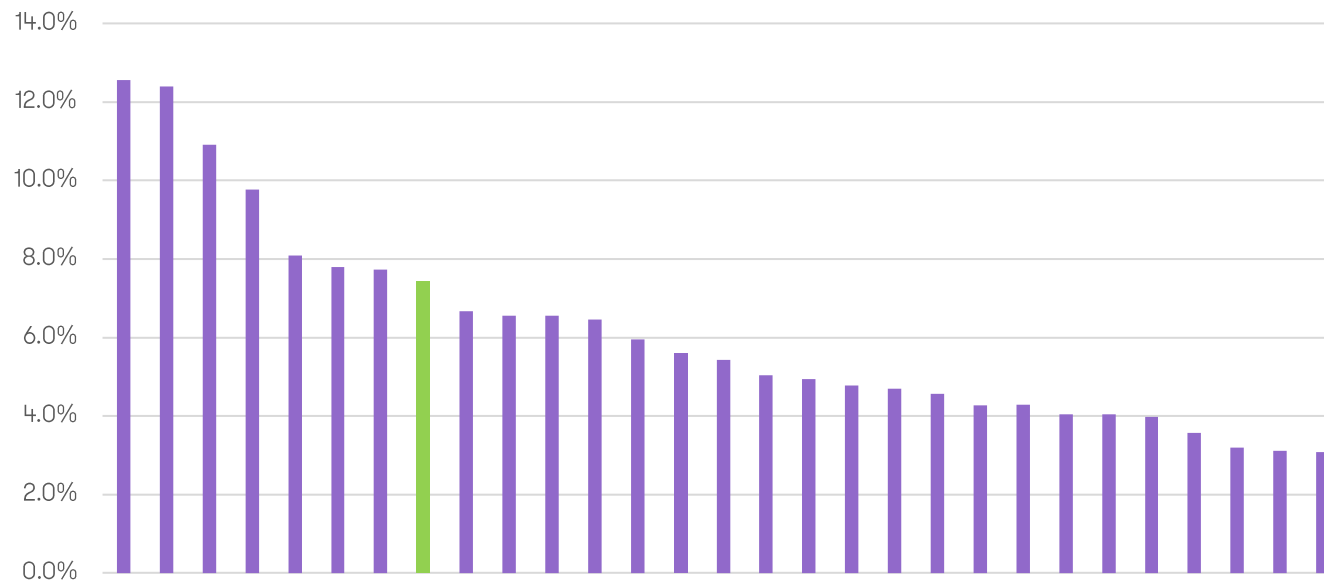
Financial sustainability

Managing financial resilience

The General Fund Reserve is to cover uncertainties in future years' budgets such as the possibility of additional savings being required in the future and the potential difficulty in delivering such savings; extraordinary or unforeseen events occurring; potential insurance liabilities; capital commitments in future years, higher than expected inflation and increasing pensions costs

The Authority's Reserves strategy is taken for approval to the Authority meeting each February alongside the budget. The 2020/21 reserves strategy was to have the General Fund Reserve maintained at 5% of the budget. The actual General Fund Reserve balance at 31 March 2021 stood at £5.283m, or 7.1% of gross expenditure on cost of service. This is in the upper third of all 29 English standalone fire authorities, which demonstrates a reasonable level of financial resilience.

General Fund as % of Revenue Budget



It is not possible to build reserves for every uncertainty into the budget and reserves. What the Authority does well, is include some scenario and sensitivity analysis within the budget and MTFP setting out the impact changes to different assumptions, and the impact of this on the budget gap. The medium term financial plan clearly sets out, for the key assumptions (pay, inflation, pensions, reductions in grant income and capital investment) what the budget gap will be for worst, base and best case scenarios. This analysis helps clarify the impact of changes in the assumptions and will aid informed challenge from members of the Authority.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services. We have raised two recommendations for improvement for the Authority's consideration.

Governance



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 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 and committee effectiveness

The Authority is supported by an appropriate committee structure with a committee, with devolved responsibility, for each of the key areas, such as resources, performance, governance and people.

Each of these committees is responsible for delivering and reporting against their specific area. Each committee reports back to the Fire Authority which is the decision making body.

The key committees are:

- Audit and Governance;
- Community Safety (which covers operational performance); and
- People and Resources.

This committee structure is supported by the Authority's leadership and management structure which is at three key levels:

- The executive board;
- The extended leadership team; and
- The service leadership team (departmental heads).

Strategic decisions are made by the Authority. These are discussed at an Executive level prior to presentation to the Authority or the relevant committee.

Key officers, such as the Director of Finance and Resources and the Director of Governance (monitoring Officer), sit on both the executive board and the extended leadership team. This ensures that decision making is appropriately supported and that due consideration is given to finance and legality issues.

The Audit and Governance Committee demonstrates appropriate challenge of financial and non-financial items. The Committee contains members with financial knowledge to provide appropriate challenge on these items.

We have reviewed examples of reports prepared for the Authority to support the making of strategic decisions. For example, these included reports to support the decisions to close two fire stations, and reducing capacity in others. These service reductions are aligned to service risk through the safer together programme.

The reports included sufficient background information, consideration of options using financial and qualitative information, documented the business risks of the options, before making clear recommendations supported by the underlying evidence. We consider the information provided to members is of a good quality and supports informed decision making.

As part of our review we noted that at present the Authority receives separate reports from each committee. Whilst these contain the information required to make informed decisions, an integrated report covering key areas would help to streamline the process and ensure that all relevant information is in one place.

We have therefore recommended that the Authority consider implementing an overall integrated performance report. This could be completed at a high level using graphical information to show performance against key metrics and direction of travel. This would give a useful executive summary to the Fire Authority.

We also noted that Red One Limited does not appear on the risk register. As the company grows, the Authority should consider adding this to ensure that appropriate risks are identified and mitigating actions put in place and the governance arrangements remain appropriate.

Governance

Budget setting, control and monitoring

The Authority has demonstrated that they have an appropriate annual budget setting process in place. Key stakeholders are involved in the process, which includes timely approvals and budget reviews. Service activity against plan are presented and integrated into the budget and then into monthly performance reports to allow review and challenge and quarterly financial reporting on the budget versus outturn position to senior management and Those Charged with Governance (TCWG). The budget plan is supported with comprehensive medium term financial plans with budget setting principles informed by the medium-term strategy and engagement with external stakeholders.

Reports with sufficient detail are taken to each Resources Committee meeting for discussion amongst members. Service activity is presented to the Community Safety Committee on a quarterly basis separate to the financial monitoring reports. Since demand-led expenditure is not significant, this approach is reasonable. Where financial variances relate to higher activity, these are explained in the financial monitoring reports, allowing members to make the link between the two, although integrated reporting would make this more clear. We note that the appropriate policies and procedures are in place with regard to budget setting, financial management, and reporting.

Over recent years, the Authority has broadly operated within its financial envelope, which reflects good financial planning and management.

This process has been further enhanced as part of 2021/22 budget setting process. This has been aimed at ensuring that initial budget requests are better aligned to priority areas and that 'invest to save' schemes have been considered. Budget holders have also been asked to consider the impact on service provision of any planned discontinuation of service.

Risk management

We have reviewed the processes the Authority has in place to assess and monitor risk.

Risk registers are provided to numerous committees including Authority meetings, Audit and Governance, and executive team meetings. These risk reports are then used to inform the budget planning process.

Going forward, there are plans to ensure that each risk has the financial implications individually identified against them. This will help to further inform budget allocations and ensure there is a clear link between risks and financial decisions.

As part of the risk management framework, net red (high risk) are reviewed and updated monthly, amber (medium risk) reviewed quarterly and green (low risk) reviewed annually.

The Authority have held various training sessions with officers and members regarding the risk management process and system as well as holding risk discovery workshops.

The 2018/19 HMICFRS inspection report commented that the Authority had an innovative approach by linking risks to organisational plans and resource allocation, but there needed to be better reporting of risk escalation, risk score and direction of travel.

Since this report the Authority has been working to address this and has learnt from other organisations in how to improve this area. A new system has been implemented (SharpCloud) to help facilitate this, based on the experience of other organisations. This system is far more visual than traditional excel based tools and brings risk to life – showing how the risks link to each other. Discussions with the Authority's Risk Manager has highlighted that members and officers alike have been really impressed with the system and that this has facilitated an increased level of engagement.

The system also allows reporting to be far more concise with key risks being able to be included on a one-page summary. As part of our review, we explored the system and in particular the linkages between risks, the impact, the controls that are in place and the actions that are being taken.

As part of our review, we traced a known risk that was flagged as an area of concern by the 2018/19 inspection report. This was in relation to fire fighter fitness tests. Our work found that the risk was included on the system (CR071). In real time we were able to drill down into this risk and clearly see the impact assessment, the controls in place and the actions taken.

Governance



Whilst undertaking this review we noted that it would be beneficial if the impact boxes depicted a scale. This would allow review to be focused on the most severe impacts to see the linkages to controls and actions.

In addition, risks could be aggregated based on the relationships to see which have the most interdependences and how controls map to these. This would help the organisation really understand what are its key controls.

We have raised these as improvement recommendations.

We also note that Internal Audit are due to undertake a review of risk management in January 2022.

Policies, procedures and controls

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The website has a section with a list of policies, which include all key policies that we would expect to see, including a Constitution.

Internal audit is provided by Devon Audit Partnership and their original plan for 2020/21 proposed to cover various reviews across governance risk and legality, finance and resources, performance and operational compliance. The plan needed to be revised in light of Covid -19 but they were still able to produce several reports and focussed on undertaking sufficient work to be able to provide their Head of Internal Opinion. This concluded that, overall, there was a reasonable level of internal control. Their report on the key financial systems also concluded that there was reasonable assurance.

In respect to the prevention and detection of fraud, the Authority has an Anti-Fraud Policy, Whistleblowing Policy, as well as a Code of Conduct for Authority Members. This is based on the Seven Principles of Public life (Nolan Principles). There is also a gifts and hospitality policy and a standing item in all Authority and committee meetings to disclose pecuniary and non-pecuniary interests relating to matters on the agenda. These are recorded on the Register of Interests, along with any other interests, including directorships, that have already been declared, as required by the Code of Conduct.

The Authority also took part in the National Fraud Initiative which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These policies, and participation in the National Fraud Initiative, taken as a whole reflect a strong institutional response to reducing instances of fraud.

Treasury Management

The Treasury Management Policy and Strategy is refreshed and approved annually by the Authority alongside the budget in February. This includes a Treasury Management Policy Statement, Annual Investment Strategy, and Minimum Revenue Provision (MRP) policy as well as capital plans. A mid-year Treasury Management report is taken to the relevant Authority meeting and informs the Authority on the progress of the capital position, updates prudential indicators as necessary, and whether the actual execution of treasury management is in line with the strategy or whether any policies need revision.

Finance team capacity

There has been good continuity and stability in the finance team over the last couple of years. Whilst it is a small team, there is no evidence of a lack of capacity with budget monitoring and annual accounts being completed to an overall high standard. There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

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 its risks. We have made three improvement recommendations in relation to risk management and overall integrated performance reporting.

Improving economy, efficiency and effectiveness



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, 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

The community risk management plan is the key strategic plan of the Authority. The Authority's strategic plan (2018-22) was put together using past data and listening to what partners and those that live in Devon and Somerset have fed back. The 2022-27 plan is currently out for consultation.

Based on this, the Authority has sought to identify the key fire and rescue-related risks and how they will work with partners and communities to reduce those risks.

The 2018-22 Fire and Rescue Plan identified six areas of focus and a number of changes and improvements have been made as a result of these. For example:

Service Delivery – the Authority developed and implemented a new service delivery model. This involved investment of c £3million into the 'on-call model'. The aim of this is to support the Authority in better matching resources to risk. This has resulted in a number of service changes and a reduction in stations and fire appliances. This has resulted in a reduction in cost whilst maintaining operational cover.

People – the Authority has developed a people strategy and established a workforce plan to support new ways of working including improved leadership and management development, new apprenticeship opportunities and encouraging diversity and inclusivity in the workforce.

VFM – the Authority has ensured that service changes are supported by clearly identified cost-benefit analysis.

Governance – the Authority has improved operational data capture through the use of a single operational reporting tool.

Digital – Due to COVID-19 the Authority has made more extensive use of video conferencing.

Collaboration – Using the work the Offices for Data Analytics the Authority has developed an analytical model to predict locations with an increased risk of dwelling fires. The Authority aim to share this data with other public sector organisations to improve services.

The service has a system in place to evaluate operational performance. It also has an operational assurance process in place. This enables staff to provide feedback and share learning from incidents they have attended. All staff can get information to see what action the service has taken. The operational assurance team oversees the process and monitors the information submitted. Any learning from operational debriefs is shared across the service as a matter of course.

Performance reporting is undertaken at a committee level. For example, resources covers finance, people committee covers human resources and the community safety committee more service related performance. Each committee reports back to the Authority who are the key decision maker. An improvement recommendation has been raised within the Governance section of our report that there is no overall integrated reporting. The Authority would benefit from undertaking this, at a high level, utilising graphical information to show performance against key metrics and direction of travel.

The Procurement department carry out some benchmarking on a basket of goods. However, most items are purchased through frameworks, such as fleet and uniforms, as there is not much competition in these areas. Discussion with officers has confirmed that benchmarking in other areas is limited. The Authority do look to learn and share with other organisations. For example, the Authority lead on 'on call pay' and allocating resources by risk. There does however appear to be more scope to learn from other organisations and benchmark in key areas. We recommend that the Authority consider the scope of benchmarking within its overall performance management.

Improving economy, efficiency and effectiveness

There is clear evidence through the Safer Together programme that the Authority are considering lower cost options and more efficient ways of delivering services. This is largely through aligning resources to risks.

For example, in Sidmouth there were two engines that were operating day and night. Based on the risk assessment one is now not manned during the day to save resource and then manned during the evening when people are at home and the risk is greater.

On call pay is a further example where pay costs have been reduced. Firefighters are now 'on call' and are expected to turn up when there is an incident. Previously all firefighters would have presented and the first six would have been deployed. This change also has wider benefits in that it gives more certainty to second employers and reduces the Authority's carbon footprint.

Inspection reports

The latest inspection report was published in 2018/19. This assessed the Authority as 'good' for effectiveness and 'requires improvement' for efficiency and people.

There were a number of recommendations made, against which progress is being made.

The report also raised one area for concern (fitness testing). The Authority have put together an action plan for each point and this is regularly monitored. A follow visit on the area of concerns has been undertaken and progress noted, however, this concluded that work is still required. We note that the Authority are currently being inspected, with results due in January 2022.



Working with others

There is evidence of collaboration and partnership working at both operational and strategic levels.

Most of the Authority's partnerships are with other blue light services. Examples of key partnerships are:

- The Authority has formed a partnership with Hampshire and Dorset & Wiltshire Fire and Rescue Services: The Networked Fire Services Partnership (NFSP). This partnership aims to provide effective joint working across the services. As part of NFSP arrangements, the three services can receive and manage emergency calls in any of their areas. This ensures that fire control staff handle emergency calls in the shortest time possible. In addition, the partnership allows the quickest appliance from any service to be mobilised to incidents. All three services can provide immediate support in a major incident or when call numbers rise due to exceptional weather (like flooding).
- The Authority has a key role in the Southwest Emergency Services Forum, establishing Community Responders (on-call firefighters who are also special constables) at three locations in Devon, with the ability to deliver a wider range of services at an overall reduced cost to the public,
- The Authority has an ongoing partnership with the Southwest Ambulance Service NHS Foundation Trust whom they supported during the COVID-19 pandemic by providing drivers for ambulances. This was a charged service.

The Performance of partnerships is fed back through the normal committee reporting structure as they underpin service delivery.

At present, the Authority do not have a formal partnership register. This would be helpful for the Authority to implement so that they can fully understand all partnerships and the value that they add. This would also help to identify where partnerships are not performing and where the costs are out-weighing the benefits.

We therefore recommend that the Authority implement a partnership register.

Improving economy, efficiency and effectiveness

Procurement

The Authority has a Procurement Strategy in place which sets out a framework to achieve compliant procurement throughout the Authority.

The Authority's website has a section on procurement which details its approach to procurement publicly, which demonstrates its commitment to operate with fairness and openness. The website also sets out where suppliers can access the Authority's:

- Corporate Procurement Strategy;
- Equalities in procurement documentation; and
- Social Value Framework.

Large areas of spend, such as uniforms and vehicles, are procured through a National Framework. Each Fire and Rescue Authority leads one particular area. For Devon and Somerset Fire and Rescue Authority this is vehicles.

There is evidence that the Authority consider lower cost options, but also where value can be added. For example, the Authority complete all fleet maintenance internally (apart from leased vehicles) as this is a lower cost option.

There are, however, areas where the Authority have outsourced service provision. Key areas where this is the case are:

- Payroll (Midland HR);
- Pensions (West Yorkshire); and
- Occupational Health.

Where services are outsourced there are appropriate arrangements in place to monitor the performance of suppliers. This is undertaken through quarterly performance meetings.

The Authority has a subsidiary training company 'Red One Limited', that continues to grow. Within the governance section of this report we have made a recommendation around ensuring that governance arrangements remain appropriate as the company continues to grow. Due to this growth, it is likely that the Authority will be required to prepare group accounts for the first time in 2021/22. We have held initial discussions with the finance team regarding this development and will continue to work closely with them to ensure this process runs smoothly.



The Authority has a significant capital programme, which is largely made up of fleet and building work.

Capital expenditure against budget is reported quarterly in the Financial Monitoring Reports to resources committee. At these meetings changes to the capital programme are approved and then taken back to the Authority.

At present there is c£2m slippage on delivering the programme. Discussions with the Head of Finance have highlighted that this is not an indication of failure to manage capital projects but rather the Authority considering the most cost effective options in relation to the improvements required at the Camels Head Fire Station in Plymouth.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services but have included two improvement recommendations for the Authority's consideration.

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 are responding to the COVID-19 pandemic. Their report concluded the Authority had made robust and realistic calculations of the extra costs it has faced during the pandemic. Specific cost centre codes were created to capture the actual spend against their forecasts. In 2020-21, the Authority received COVID-19 grant funding of around £1.6m, of which £1.3m was spent on additional staff costs, cleaning and decontamination supplies, remote working equipment, and personal protective equipment (PPE) by the end of the year. Therefore, the Authority did not have to use any of its own reserves to meet the extra costs that arose in this period.

Governance

Following the national lockdown, face to face meetings were cancelled between mid March and July 2020. Authority and committee meetings then moved to video conferencing and took place remotely for the rest of the year. There is evidence within Authority and Committee meeting minutes, and HMICFRS report that appropriate levels of scrutiny and challenge continued to be applied by members.

The HMICFRS COVID-19 inspection report concluded that members of the Authority were actively engaged in discussions with the Chief Fire Officer and the service on the Authority's ability to discharge its statutory functions during the pandemic. The service regularly updated the Authority about how it was responding to the pandemic and the extra activities of its staff.

The corporate risk register was updated to ensure COVID-19 related risk, or existing risks impacted by COVID-19 were recorded appropriately, mitigated where appropriate and monitored. All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the Authority has not seen a significant impact on productivity as a result. Requiring staff to work from home also supported the Authority's protection of its frontline staff.

Improving economy, efficiency and effectiveness

During pandemic the authority supported both of the Local Resilience Forums (LRF) which they are active members of. These are the Avon and Somerset LRF and the Devon, Cornwall and the Isles of Scilly LRF, to whom the service seconded a principal officer to during the pandemic.

There were fewer incidents during the initial phase of the pandemic. Response times have been largely unaffected by the pandemic. This was helped by low levels of sickness (9% lower than the prior period).

The Authority have developed a number of strong partnerships that provide additional resilience and helped the overall response to the pandemic. For example, the partnership with the South West Ambulance Service where driving support was provided and the partnership with Dorset, Wiltshire and Hampshire which provides additional cover should this be required.

The service also supported the National Fire Chiefs Council and were instrumental in developing guidance to pay protect on-call firefighters.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements adapted to respond to the new risks they are facing as a result of COVID-19.



Improvement recommendations



Financial sustainability

1 Recommendation	The Authority should progress work at pace to identify schemes to address the future budget gap to prevent the unnecessary use of reserves.
Why/impact	<p>The MTFP approved in February 2021 sets out a budget gap to 2024/25 of £7.2m. At the time it was reported that this could rise to £17.3m under the worst case scenario planning and £3.8m under the best case.</p> <p>As the Authority has already delivered significant cumulative savings, the opportunities for delivering further meaningful savings becomes increasingly challenging. At present progress has not started in identifying savings to close this budget gap (although assumptions are prudent).</p>
Management comment	TBA
2 Recommendation	<p>Progress against individual saving schemes identified should be separately monitored and reported against.</p> <p>In addition the Authority should clearly show the link between the MTFP budget gap and the schemes identified to address this through the Safer Together programme. This to increase the transparency of reporting and ensure accountability and ownership of schemes.</p>
Why/impact	<p>From our review we noted that the link between the MTFP (budget gap), budgeting process and the Safer Together programme could be made more explicit. For example, by identifying profiled savings schemes that reconcile to the identified budget gaps. This will:</p> <ul style="list-style-type: none"> • allow progress against each scheme to be more clearly monitored and reported; • increase ownership of budget holders; and • ensure that where service lines underspend the reason is understood and attributable to the schemes identified.
Management comment	TBA



Improvement recommendations

Governance

1 Recommendation	We recommend that the Authority consider implementing an overall integrated performance report. This could be completed at a high level using
Why/impact	A high level integrated performance report using graphical representation to show performance against key metrics and direction of travel would give a useful executive summary to the Fire Authority and help to streamline the process and ensure that all relevant information is in one place.
Management comment	TBC
2 Recommendation	The Authority should consider adding scores to the impact boxes within SharpCloud. In addition the Authority should consider aggregating risks on the level of interdependences.
Why/impact	This would allow review to be focused on the risks with the most severe impact and would allow the Authority to clearly see the linkages to controls and actions. In addition, aggregation of risks based on the number of interdependences would allow the Authority to clearly see how controls map to these. This would help the Authority really understand what are its key controls.
Management comment	TBC
3 Recommendation	We recommend that the Authority consider adding Red One Limited to the risk register.
Why/impact	As the company continues to grow it is important that governance arrangements remain under constant review to ensure they remain appropriate.
Management comment	TBC

Improvement recommendations



Improving economy, efficiency and effectiveness

1 Recommendation We recommend that the Authority implement a formal partnership register.

Why/impact

The Performance of partnerships is fed back the normal committee reporting structure as they underpin service delivery.

At present the Authority do not have a formal partnership register. This would be helpful for the Authority to implement so that they can fully understand all partnerships and the value that they add. This would also help to identify where partnerships are not performing and where the costs are out weighing the benefits.

Management comment

TBC

2 Recommendation We recommend that the Authority consider the scope of benchmarking and learning from other organisations within its overall performance management.

Why/impact

There appears to be more scope to learn from other organisations and benchmark in key areas. This will help the Authority improve its performance in key areas and potentially identify new ways of working.

Management comment

TBC



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

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 28 October 2021.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report (ISA260) which was published and reported to the Authority's Audit and Governance Committee on 30 July 2021 and then subsequently on 28 October 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 are not able to complete the work required to issue the WGA Component Assurance until guidance is available from HM Treasury. We therefore continue to be unable to certify the completion of the audit for 2020-21.

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.

Findings arising from the accounts:

- A recommendation was made in relation to controls around the approval journals
- We did not identify any adjustments to the financial statements that resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement.
- We identified some improvements that were required to disclosures within the financial statements.

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

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



Appendices

Appendix A - Responsibilities of the Fire and Rescue Service



Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Service'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.

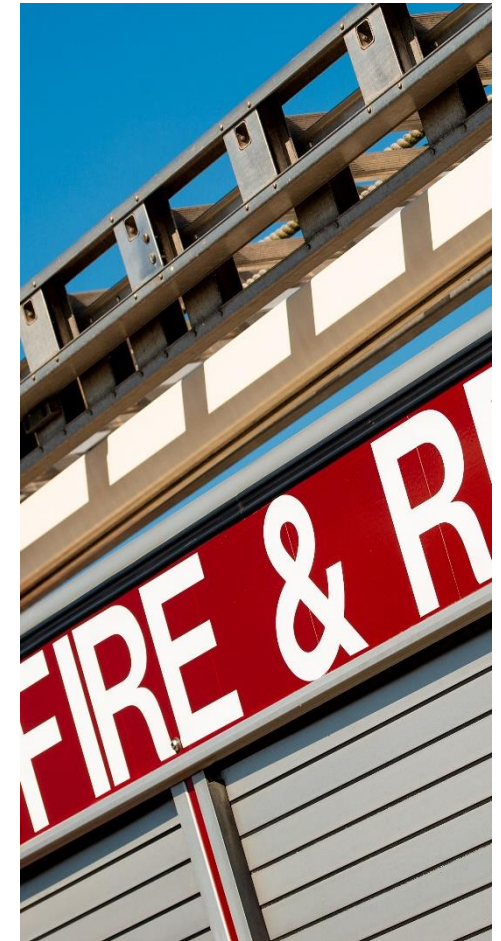
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 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 - Risks of significant weaknesses - our procedures and findings

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness within our Audit Plan.	<p>In response to this risk, we have reviewed progress of the Safer Together programme and closing the £7.2m budget gap to 2024/25.</p> <p>Further to this we have:</p> <ul style="list-style-type: none"> discussed financial sustainability with senior management within the Authority; reviewed the key assumptions that underpin the 2021/22 medium term financial plan; reviewed in year financial reporting and the outturn position; and reviewed the general arrangements underpinning financial management. 	<p>Like all public sector bodies the Authority faces a financial challenge over the medium term. However, our work found that the Authority has robust arrangements in place to deliver financial sustainability.</p> <p>The Authority have clearly identified the budget gap over the medium term and are due start progress to develop schemes to address this.</p>	<p>Whilst our work has not identified any risks of significant weaknesses in arrangements we have identified 2 improvement recommendations. The details of these are set out in the financial sustainability section of this report.</p>

Appendix C - 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. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No	Not applicable
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	Not applicable
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	Pages 15 - 17

Appendix D - 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 recommendation.

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 issue 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 issue any judicial reviews.

