



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the Audit &
Governance Committee**

(see below)

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AUDIT & GOVERNANCE COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Monday, 17th April, 2023

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 10.00 am in Committee Room A, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

SUPPLEMENTARY AGENDA

***PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING
SHEETS***

8 External Auditor's Annual Report 2021-22 (Pages 1 - 30)

Under the National Audit Office (NAO) Code of Audit Practice, the Authority's external auditor, Grant Thornton, is required to consider whether the Authority has put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a qualified/unqualified opinion on the Value for Money (VFM) conclusion but instead provides a more detailed view of overall arrangements in an Annual Report.

The report categorises the Authority's arrangements under specific criteria, namely:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

The external auditor's Annual Report 2021-22, including their opinion measured against the above criteria, is attached **FOR INFORMATION**.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Brazil (Chair), Hendy, Kerley, McGeough, Power, Prowse, Roome, Sellis and Thomas (Vice-Chair)

NOTES

1.	<u>Access to Information</u> Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	<u>Reporting of Meetings</u> Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	<u>Declarations of Interests at meetings (Authority Members only)</u> If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: <ul style="list-style-type: none">(i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. <p>If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above.</p> <p>Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation.</p> <p>Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.</p>
	NOTES (Continued)
4.	<u>Part 2 Reports</u> Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly.

	<p>They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p>
6.	<p><u>Other Attendance at Committees)</u></p> <p>Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.</p>

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

Page 1

2021/22

April 2023



Contents

Section	Page
Executive summary	03
Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources	05
Financial sustainability	06
Improvement recommendations	09
Governance	10
Improvement recommendations	14
Improving economy, efficiency and effectiveness	15
Improvement recommendations	18
Follow-up of previous recommendations	23
Opinion on the financial statements	25
Appendices	
Appendix A – Responsibilities of the Authority	27
Appendix B – An explanatory note on recommendations	28



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

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



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



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2021/22 is the second 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Page 5

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but two improvement recommendations made	No significant weaknesses in arrangements identified, but one improvement recommendation made.
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but three improvement recommendations made	No significant weaknesses in arrangements identified, but one improvement recommendation made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but two improvement recommendation made	No significant weaknesses in arrangements identified, but five improvement recommendation 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 (continued)



Financial sustainability

We did not identify any risks of significant weaknesses in the Authority's financial sustainability arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made an improvement recommendation due to the macro-economic uncertainty and recent rises in inflation. Our findings are set out in further detail on pages 6 to 9.



Governance

We did not identify any risks of significant weaknesses in the Authority's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made an improvement recommendation, around ensuring sufficient time is allocated to review draft financial statements ahead of submission for audit. This recommendation is in addition to the recommendations that remain in progress from our 2020/21 work. Our findings are set out in further detail on pages 10 to 14.



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made five improvement recommendations. These are broadly around developing a formal data strategy, performance reporting and developing clearer linkages between strategic priorities, objectives and overall performance reporting. Our findings are set out in further detail on pages 15 to 22.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 23 February 2023. We did not need to utilise any of our additional statutory powers. Our findings are set out in further detail on page 25.



Securing economy, efficiency and effectiveness in the Authority'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 Authority'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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 6 to 22.

Financial sustainability



We considered how the Authority:

- 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.

Page 6

Overview of the Arrangements to ensure financial sustainability

Devon and Somerset Fire and Rescue Authority has a strong history of delivering a balanced budget and in 2021-22 the revenue budget was achieved. There was however an overspend of c£1.3m against the original approved budget of £74.2m. This was mitigated through the use of reserves. This overspend is equivalent to 1.86% of the total revenue budget, and has occurred due to unbudgeted pay awards for both firefighters and professional & support staff of 1.5% and 1.75 respectively. In addition, there was a quicker than expected take up of the pay-for-availability pay system for on-call firefighters. Finally, there were unexpected increases in utility and material costs. The budget is used to resource 83 fire stations, 112 fire engines and a range of specialised appliances.

The Authority approaches financial planning by building the budget from the bottom up and this is a key driver supporting financial sustainability. The approach encompasses workforce, finance and delivery and is implemented as part of the business planning process.

Under revised procedures, SLT members are now held accountable for their budgets, with forecast outturns also challenged monthly. This ensures that forecast outturns are more accurate. Each budget holder is now given a savings target to which they need to work towards. As part of the process going forward, budget proposal will be compared to strategic priorities. This diagnostic process will enable the Authority to link funding decisions to priorities in the Community Risk Management Plan (CRMP).

The Medium Term Financial Plan (MTFP) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. Council Tax assumptions are a key element of planning and the Authority works closely with their Billing Authorities to understand assumptions around the Council Tax base and also the likely surplus or deficit on the various Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Devon and Somerset will operate within. Although there was a spending review setting out the direction of travel through to 2025, fire and rescue services were not explicitly mentioned and therefore there is still no long-term certainty. This uncertainty, combined with recent rises in inflation and other macro-economic factors, means that the future financial position is very challenging. The cumulative savings required through to 2026-27 in order to set a balanced budget are £12.1m. This was set out in the MTFP agreed February 2022.

The current capital programme reflects the priorities of the Authority and includes annual replacement schemes of vehicles, equipment and ICT as well as significant spend on either station modernisation or buildings such as Camel Head. At the end of 2021-22 there was an underspend against the £12.6m capital programme of £5.4m. This was largely in relation to the timing of the Camels Head Station re-build. Capital spend is primarily funded from capital reserves or revenue contributions to capital with some borrowing – no new borrowing was taken out in 2021-22. The Authority sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets. There is currently a review being undertaken to rationalise the capital programme. This is in response to the overall financial challenge as capital expenditure also incurs additional revenue costs.

In addition to the Capital Strategy, the workforce plan is managed closely to ensure financial and HR data is matched. Workforce planning provides all the profiles of recruitment, leavers, retirees etc. and the funding requirements are matched to this profile. Finance also proactively liaise with HR where there are vacancies to ensure any short-term or longer-term savings and opportunities are identified.

Financial sustainability (continued)

Key Financial assumptions

The provisional Local Government Finance Settlement for 2021-22 was announced on 17 December 2020, which provided authorities with individual settlement funding assessment figures for one year only. The Local Government Financial Settlement for 2021-22 allowed the Fire Authority to confirm funding as £74.2m for 2021-22, a decrease of £2.6m (3.5%) on the previous year. The Council Tax increase referendum limit was 2% for 2021-22. With a Council Tax increase of 1.99%, the Authority was left with a funding gap of £0.36m, which it planned to close through the delivery of savings to deliver a balanced budget.

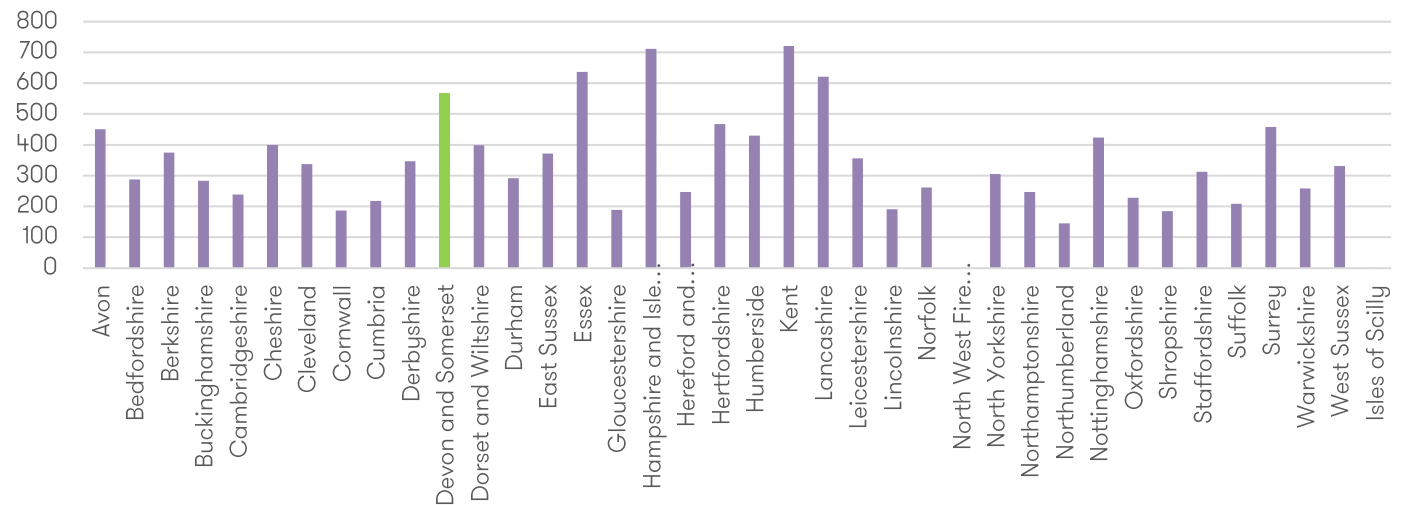
The main financial assumptions in the MTFP relate to pay, inflation, pension increases, reductions to one off grant income; and capital investment. Pay is discussed in the paragraph below and within the overall context of the macro economic uncertainty we have concluded that the assumptions made were reasonable. We do note that the Authority should continue to update the MTFP on a regular basis.

Employees pay accounted for 77% of the 2021-22 expenditure budget and therefore represents the largest element of expenditure. The chart opposite, taken from data on gov.uk, benchmarks Devon and Somerset Fire and Rescue Authority (highlighted in green) against other non-metropolitan authorities. This shows that the Authority are at the higher end when looking at staffing levels. This has already been highlighted as a significant area of overspend in 2021-22.

The budget for 2021-22 made an assumption of no pay increase, based on the uncertainty of Government guidance. The subsequent award of 1.5% has led to additional cost pressure of c£0.6m.

In the 2022-27 medium term financial plan, forecasted pay inflation has been assumed as 2% in 2022/23 with 2% thereafter. This appeared reasonable in February 2022 when the MTFP was approved. However, at the time of writing, firefighters are being encouraged to reject a proposed 5% increase and therefore the future pay position remains uncertain and will likely need adjusting in the Authority's plans.

No. of wholetime firefighters by authority (non-met authorities)



Financial sustainability (continued)

The MTFP is refreshed each year and presented alongside the annual budget for the forthcoming year demonstrating that financial risks are considered each year in both the short and medium term. Given the challenging macro-economic environment and uncertainty around key costs such as pay, we have included a recommendation around a formal mid-year review of the MTFP.

Funding gaps and use of reserves

The Authority has a strong history of achieving savings targets, with over £14m saved over the five years to 2021-22 and has continued to deliver savings in year which have been transferred to reserves. However, the funding gap, and savings requirement for the Authority through to 2027 is cumulatively £12.1m. This is a significant challenge.

Following on from efforts to realign resources to risk, focus will now be placed on efficiency of the Service through:

8 Development of a revised Estates Strategy and rationalisation of buildings

- Smarter working and continued Digital Transformation
- Reviewing whether supporting functions are achieving value for money and exploring alternative delivery models
- Delivery of the Green DSFRS Environmental Strategy
- Exploring opportunities to improve the productivity of staff and assets.

The Authority has a reserves strategy which it publishes each year alongside the budget, updated MTFP, capital and treasury strategy. In line with the Fire and Rescue National Framework recommendations the Authority considers that an appropriate and prudent level of general reserves is around 5% of net budget, which appears prudent. It is not possible to build reserves for every uncertainty into the budget and reserves.

The Authority includes some scenario and sensitivity analysis within the budget and the MTFP sets out the impact of changes to different assumptions, and the impact of this on the budget gap. For example each change of 1% in the level of pay would add an additional £0.470m cost pressure.

The Authority also presented two options to members regarding the level of Council Tax increase (Option A no increase, Option B a 1.99% increase). This is helpful in framing the approval process and helps clarify the impact of changes in the assumptions and will aid informed challenge from members of the Authority.

Conclusion

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 made one improvement recommendation – see page 9 for details.

Improvement recommendation



Financial sustainability

Recommendation 1

Given the likelihood that any budget gaps will increase further given the current economic climate and inflationary pressures, we recommend that further consideration should be given to introducing a formal and more frequent review and sensitivity analysis and scenario planning on key assumptions and estimates within the MTFP. This will provide transparency on the sector wide uncertainties the Authority is subject to and the potential impact of these on its financial sustainability.

Why/impact

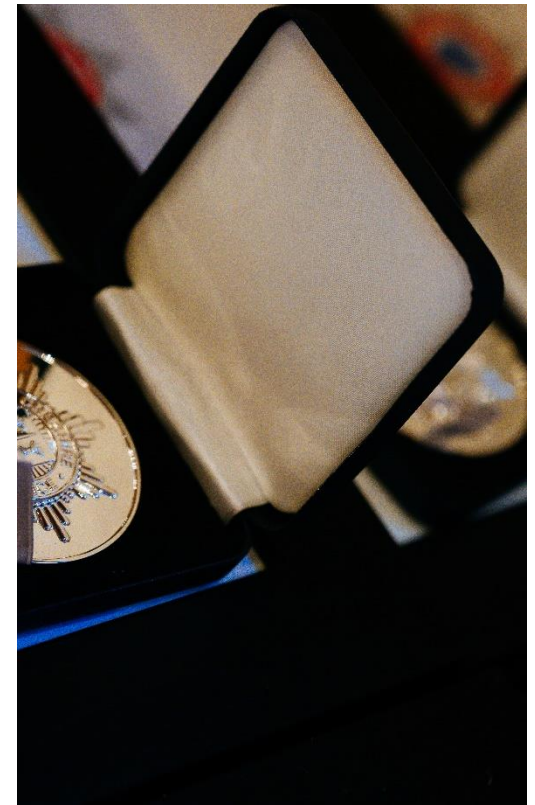
It is important that the Authority identifies and delivers efficiency savings in order to achieve a balanced budget position on an annual basis. In addition, regular review of MTFP assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Performing a formal mid-year review of the MTFP assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improve the accuracy of forecasting.

Summary findings

MTFP assumptions are updated annually as part of the annual budget setting process and sensitivity analysis and scenario planning is undertaken as part of the development of the budget. Given the significant changes in certain assumptions, e.g. pay inflation and fuel and energy increases these will need adjusting and any increased budgetary gaps will need saving programmes to support bridging those gaps.

Management Comments

The MTFP assumptions are reviewed regularly, but only published annually. The Service will shortly be published a Target Operating Model (TOM) document detailing the initiatives that will be implemented to drive sufficient efficiencies to match the funding gap. The TOM will be reviewed and compared to the MTFP at every opportunity.



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

Governance



We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures 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.

Page 10

Leadership and committee effectiveness

The Service Management Team takes its strategic lead from the Fire Authority, which has a small committee structure. The main ones 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 being the executive board; the extended leadership team; and the service leadership team (departmental heads).

Senior officers attend the Authority meetings and Committees to present reports and are open to questions during committee meetings. The Authority is made up of 29 elected members that are appointed by the constituent authorities of Devon County Council, Somerset County Council, Torbay Council and Plymouth City Council to oversee the provision of fire and rescue services for the geographical counties of Devon and Somerset.

In 2020-21 we recommended that the Authority consider implementing an overall integrated performance report, that would go to the Authority, as this would help decision making and see linkages more clearly across key areas. Progress has been made against this recommendation and will be fully addressed through the implementation of the In-phase system that will track performance against the Authority's four strategic priorities.

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 the Constitution. These are available online to the public.

Internal audit is provided by Devon Audit Partnership and their Head of Internal Audit Opinion for 2021-22 concluded that there was overall reasonable assurance, i.e. that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Where weaknesses have been identified, management have agreed these findings and the recommendations or accepted the associated risks.

In respect of the prevention and detection of fraud, the Authority has a strategy and policy for preventing fraud and corruption, as well as a Code of Conduct. There is also a gifts and hospitality policy and there is a standing item in all Authority and committee meetings to disclose pecuniary and other 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. These policies have all been recently updated.

Governance (continued)

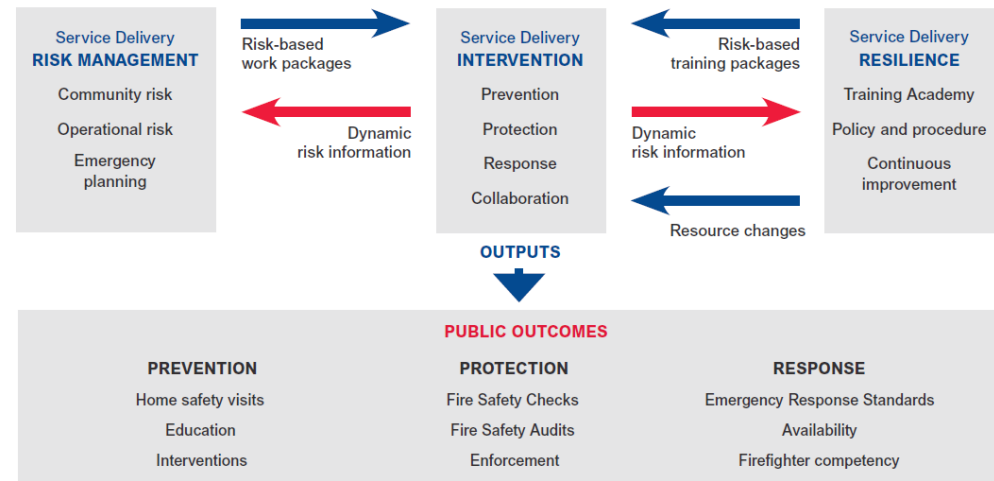
The Authority actively participates in the National Fraud Initiative which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These policies, and participation in the National Fraud Initiative, taken as a whole reflect a strong institutional response to reducing instances of fraud. The Authority’s website sets out that there were no identified instances of fraud, and one minor irregularity. This is in line with our expectations and knowledge of the Authority.

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 provides an update on the progress of the capital position, prudential indicators as necessary, and whether the actual execution of treasury management is in line with the strategy or whether any policies need revision. When there is an Annual Treasury Management report which provides details of a selection of actual prudential and treasury indicators and treasury operations compared to the estimates within the strategy. In addition, members are given a session on the budget and MTFP to ensure they’re fully informed.

Risk management

An overarching Risk Management Policy is in place, encompassing Risk Scoring and practitioner guidance. At a strategic level risk management is driven by the Community Risk Management Plan (CRMP). The CRMP covering 2022-2027 has been approved following extensive public consultation and the completion of various assessments including an equality impact assessment.

The purpose of this plan is align risks to the achievement of strategic objectives, allocate resources effectively and efficiently and to clearly link to public outcomes.



In our 2020-21 report we set out that the Authority had invested in the SharpCloud system. This system helps to bring risk to life and provides linkages as visualisations to help decision making. During 2021-22 the Authority has further invested in In-Phase, a system that is designed to help analyse data better and to help monitor and drive better performance against corporate objectives and, as such, risks. In-phase has the same functionality as SharpCloud, but has the extended functionality to be able to better align risk and performance management.

The Head of internal Audits opinion for 2021-22 set out that ‘risks are managed, monitored and reviewed in accordance with the Service’s risk management framework’. There is a comprehensive corporate risk register in place. It provides clear descriptions of risks and potential impacts, with appropriate mitigating controls. Risk owners are identified, and risk management and monitoring are in place. ‘SharpCloud’ has enabled the Service to become digitalised and has assisted with the escalation process of risks from departments to corporate level. Internal Audit overall concluded ‘substantial assurance’ when assessing the Authority’s risk management arrangements.

Governance (continued)

Budget setting and monitoring

The Authority has demonstrated it has an appropriate annual budget setting process in place. 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. Key stakeholders are involved in the process, which includes timely approvals and budget reviews.

Although service activity, workforce and financial information is reported to senior management, these are not yet integrated reports. The CIPFA publication from May 20 'Integrated reporting application note' highlights that integrated reporting can help public sector entities to respond better and to communicate with greater effect how they develop strategies that add value over time. As in 2020-21, we recommended that Authority look at integrating financial performance reporting with service delivery performance reporting. Although management have made some progress on this recommendation and we noted the community safety committee includes both finance and performance reports, this will be developed further through the use of In-phase reporting functionality. This therefore remains a recommendation for 2021-22, particularly given the challenging uncertain macro-economic environment – see the follow up of prior year recommendations section of this report.

Since our previous report the budget setting process continues to evolve as it seeks to drive more efficiency into service provision. This is in response to the financial sustainability challenge that all public sector organisations face. The key changes, that are aimed at addressing short to medium term financial constraints are:

- A significant amount work has gone into improving the management accounts and reporting process and improving the general level of accountability
- Senior Leadership Team (SLT) members are now held personally accountable for all expenditure within their delegated budgets and have clearer responsibilities and authority as budget holders.
- Forecasting has been improved and now uses financial modelling to ensure forecasts are more accurate
- The process commences far earlier in the year to allow adequate challenge



- The budget is now built on budget proposals, with challenge applied to all areas – service leads have now also been given an efficiency target. This has not been the case in the past.
- All forms of recruitment now require Executive Board approval and vacancies in support departments will not be filled using operational staff – this ensures that operational staff are working in the areas where their skill set is needed most, while negating unnecessary cost pressures
- A decision was taken to defer the September 2022 whole time recruits' course to April 2023.

Whilst these changes are now in progress, time will be needed to ensure these new practices are fully embedded within the culture of the Authority.

Governance (continued)

Finance team

We have not noted a high turnover of finance staff during 2020-21 or 2021-22. Although it is a small team, there is no evidence of a lack of capacity in the finance department, with budget monitoring being completed to an overall high standard and on a timely basis.

There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements.

The 2021/22 financial statements included group financial statements for the first time.

The full version of the draft financial statements were received on 12 July 2022. Our initial review identified a number of inconsistencies with items in the Comprehensive Income and Expenditure Statement not agreeing to supporting notes and a number of other more general inconsistencies, covering both the group and single entity financial statements. During the Audit there were delays in providing supporting evidence and there were a number of iterations of the accounts in order to correct the errors. This has led to additional fee being charged for the audit.

We have therefore recommended that, further review controls are introduced to ensure that the draft financial statements are free from error and are internally consistent.

Unmodified audit opinions have been issued on the 2021-22 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. As set out above we have raised one additional improvement recommendations in this area. This is in addition to the recommendation in the prior year around more integrated reporting to better inform decision making.

Improvement recommendation



Governance

Recommendation 2

We recommend that there is a further review controls are introduced to ensure that the draft financial statements are free from error and are internally consistent.

Why/impact

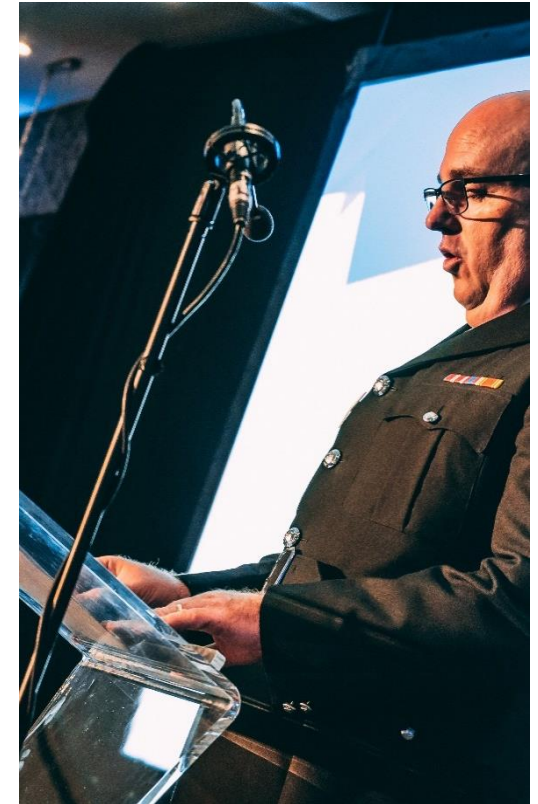
This will ensure that the financial statements audit runs more smoothly and reduces additional audit fees.

Summary findings

The full version of the draft financial statements were received on 12 July 2022. Our initial review identified a number of inconsistencies with items in the Comprehensive Income and Expenditure Statement not agreeing to supporting notes and a number of other more general inconsistencies, covering both the group and single entity financial statements. During the Audit there were delays in providing supporting evidence and there were a number of iterations of the accounts in order to correct the errors. This has led to additional fee being charged for the audit.

Management Comments

Within the year-end process, the team have added in additional checks to ensure that the notes and primary statements balance where necessary. This should ensure that any anomalies are spotted and addressed before the Accounts are submitted.



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

Improving economy, efficiency and effectiveness



We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships 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.

Page 15.

Identifying areas for improvement

Performance is managed and monitored primarily through the Executive Board and follows the following rhythm:

- Tactical issues are discussed daily;
- Tactical and performance issues are discussed weekly;
- Deep dives into specific areas are completed monthly for deep dives; and
- Strategic discussion are held quarterly.

As set out earlier in this report performance all stems from the CRMP. This sets out the four key priorities which are then supported by 25 objectives which are aimed at ensuring that the CRMP is delivered. This seeks to ensure that resources are allocated to areas of higher risk that clearly link to the Authority's strategic objectives.

From discussion with officers, there is a clear linkage between the strategic priorities to the objectives, however, it is less clear how each objective will be delivered, and progress measured. Each objective should be supported by clear actions that set out specificity, how it will be measured, be achievable and realistic and be timebound (SMART). This will ensure that objectives and actions can be cascaded to individual Station Masters.

It was also noted that, historically, the objectives underpinning the strategic priorities were agreed after the budget round had taken place. The Authority recognises that this needs to be reversed so that budget setting can ensure that resources are allocated to areas where the greatest impact can be seen on achieving strategic priorities. Going forward the Authority plans to ensure individual Personal Performance Development (PPDs) will be linked to objectives and priorities in a smart way. These will be agreed prior to the budget round in October each year.

The Authority has KPI's for performance measurement purposes. Our work identified that the current suite of KPI's are aligned against strategic priorities 1 and 2 and these are reported through scrutiny each month (community and resources), then to Executive Board (internal facing) and the Authority (external facing). Currently KPIs are not reported against priorities 3 & 4.



Priority 1: Our targeted prevention and protection activities reduce the risks in our communities, improving health, safety and wellbeing, and supporting the local economy.



Priority 2: Our operational resources provide an effective emergency response to meet the local and national risks identified in this plan.




Priority 3: Devon and Somerset Fire and Rescue Service is recognised as a great place to work: our staff feel valued, supported, safe, and well-trained to deliver a high performing fire and rescue service.



Priority 4: We are open and accountable, using our resources efficiently to deliver an effective, sustainable service that demonstrates improving public value.

Improving economy, efficiency and effectiveness (continued)


Page 16

 Effectiveness	2022 - Good	2019 - Good	Direction of travel
Understanding fires and other risks	Good	Good	↔
Preventing fires and other risks	Good	Good	↔
Protecting the public through fire regulation	Good	Good	↔
Responding to fires and other emergencies	Good	Requires improvement	↑
Responding to major and multi-agency incidents	Good	Good	↔

Other sources of performance data include external reviews and the Authority had a HMI inspection during 2021-22. This assesses the effectiveness, efficiency and people aspects of the Service. The results of the inspection are shown opposite and below.

Whilst the inspection report was largely positive with some areas of improvement, there were areas that were previously rated as requires improvement, where the assessment has not changed. These related to the people element of the inspection. Future affordability was an area where performance was assessed as deteriorating.

In the previous inspection report a ‘cause for concern’ was raised in relation to the fitness testing of fire fighters. This latest report closed this concern, stating “We are pleased that enough progress has been made for this cause of concern to be discharged”. The report also identified other areas of good practice.

 Efficiency	2022 - Requires improvement	2019 - Requires improvement	Direction of travel
Making the best use of resources	Good	Requires improvement	↑
Future Affordability	Requires improvement	Good	↓

The 2022 report did identify a new cause for concern in relation to some staff behaviours and staff not feeling respected and valued. The Authority were required to submit an action plan to address this by 31 August 2022. This deadline was achieved and an agreed action plan is now in place. Whilst there is an active cause for concern in place we are satisfied that the Authority have responded appropriately and that the arrangements in place are sufficient to ensure that a detailed action plan could be drawn up and submitted by the deadline.

 People	2022 - Requires improvement	2019 - Requires improvement	Direction of travel
Promoting the right values and culture	Requires improvement	Requires improvement	↔
Getting the right people with the right skills	Good	Good	↔
Ensuring fairness and promoting diversity	Requires improvement	Requires improvement	↔
Managing performance and developing leaders	Requires improvement	Requires improvement	↔

Improving economy, efficiency and effectiveness (continued)

Making the best use of data to drive performance

The Authority has vast amounts of data which it can use to inform decision making. To help get the best from this data the Authority has invest in a system called In-phase. At present there does not appear to be a clear strategy on the best use of data, and we would recommend that one is developed, as this will ensure that the Authority is consistently making the best use of its data to drive the efficiency and effectiveness of the service.

In-phase's functionality allows for linkages between priorities and objectives and provides data for each. Linkages can then be shared with other users. As an example, this would allow the Authority to drill down to response times by time to see where performance 'blips' might be happening. The visualizations provided by the system are really useful in identifying trends in the data. This then allows the cause to be investigated and actions put in place to mitigate.

As part of our work we also noted that the performance data on the Authority's website was out of date. This has now been updated. We recommend that this is updated quarterly as this is the key public facing information.

Working with others

We reported in our 2020-21 report that there was evidence of collaboration and partnership working at both operational and strategic levels. We raised one recommendation that the Authority should consider implementing a formal partnership register. The purpose of this is to ensure that the Authority is fully aware of all partnerships and the value and costs of each are fully understood. This recommendation remains in progress.

Our work in 2021-22 has highlighted that the Authority continues to work with partners to deliver services across a number of areas. The Community Risk Management Plan (2022-2027), which sets out the Authority's strategic priorities and identifies the key risks to delivery of these. This plan was agreed in year following extensive consultation.

Within this strategic plan it is clear that partnership working will be key to delivering the strategic priorities. Partnership working is crucial in developing prevention strategies. The Authority have plans in place to increasingly use community partnerships, as well as internal and external learning, to identify trends and emerging risks to enable targeting of prevention activities.

The Authority plays a key role in the South West Emergency Services Collaboration (SWESC). The South West Emergency Services Collaboration brings together the region's emergency services and directs and coordinates a diverse range of regional collaboration projects. SWESC is recognised as one of the leads nationally and is the largest both geographically and in partner numbers. By bringing these and other organisations together in service planning and delivery, SWESC aims to ensure the approach is as cost effective as possible and anchored in benefits for services to the public. In support of the emergency services, the programme also has Public Health England SW as a key partner.

On Monday 29 October 2022 a regional event was held where organisations were invited to attend the 'State of the South West' event at Devon & Somerset Fire & Rescue Headquarters. The aim of the event was to identify prevention opportunities across the South West where emergency service providers could make a contribution to either specific local areas or across the South West. This event was jointly organised by Public Health England and the SWESC. The focus was on aiming to identify and better understand where the risks are in the South West population and how organisations can collectively direct resources into prevention as a region. The event was well attended with 51 representatives from a number of organisations both from SWESC partners as well as HM Prisons & Probation Service, Royal Devon & Exeter Hospital and Somerset Council.

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 five improvement recommendations. This is in addition to the recommendations from the prior year which remain in progress. These are developing a partnership register and increasing the use of benchmarking.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

We recommend that each objective should be supported by clear action plans that set out specificity, how it will be measured, be achievable and realistic and we timebound. This will ensure that objectives and actions can be cascaded to individual Station Managers.

Why/impact

The linkages between the Authority's strategic priorities, the objectives and the actions plans that underpin them should be clear, transparent and SMART. This will ensure priorities are achieved.

Summary findings

From discussion with officers there is a clear linkage between the strategic priorities to the objectives, however, it is less clear how each objective will be delivered, and progress measured. Each objective should be supported by clear actions that set out specificity, how it will be measured, be achievable and realistic and we timebound. This will ensure that objectives and actions can be cascaded to individual Station Managers.

Management Comments

The corporate planning department are currently developing a strategic planning portal which provides a service dashboard for managers on performance, planning, risk registers, assurance and has a document repository. These areas are supported and linked to existing service systems including PowerBI, Sharpcloud, 365 and Verto.

The portal within the performance area link directly to skills dashboards, service delivery dashboard, KPI's, PowerBI reports and Verto. The planning link goes directly to the CRMP actions assigned to managers and local community plans for SD managers at all levels. The risk area has DSFRS risk registers and the National Risk register. The assurance link provides direct access to organisation and operational assurance and the document repository has relevant service documents and information to support Performance, Planning, Risk and Assurance.

There will also be direct links to HMICFRS AFI plan, national operational guidance strategic gap analysis and fire standard action plans.

Having a single landing page for performance planning risk and assurance enables managers to understand their actions and which are measured through real time performance data.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

We recommend that going forward, where strategic priorities are refreshed and updated that this is completed ahead of the budget round commencement.

Why/impact

Strategic priorities should drive the budget process so that resources are allocated to areas with the most need.

Summary findings

It was also noted that historically the objectives underpinning the strategic priorities were agreed after the budget round had taken place. The Authority recognize that this needs to be reversed so that budget setting can ensure that resources are allocated to areas where the greatest impact can be seen on achieving strategic priorities. Going forward the Authority plan to ensure individual PPDs will be linked to objectives and priorities in a smart way. These will be agreed prior to the budget round in October each year.

Management Comments

The strategic Priorities have been set by the Fire Authority and will be in place throughout the CRMP. The strategic objectives have been developed to meet the requirements of the CRMP. The strategic objectives will be reviewed with the CRMP annually in April to ensure to ensure they are agreed before the budget round in October.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 5

We recommend that a full suite of KPIs be developed covering all strategic priorities.

Why/impact

Without KPIs for all strategic priorities it will not be possible to monitor and measure performance.

Summary findings

The Authority has KPI's for performance measurement purposes. Our work identified that the current suite of KPI's are aligned against strategic priorities 1 and 2 and these are reported through scrutiny each month (community and resources), then to Executive Board (internal facing) and the Authority (external facing). Currently KPIs are not reported against priorities 3 & 4.

Management Comments

A range of KPIs that align to the objectives set within priorities 3 and 4 have been identified and reporting is in development. There are data issues associated with implementing many of these KPIs, however project management support is now being provided to help move things forward.

A provisional report containing the reportable KPIs priorities 3 and 4 will be provided to EB for the formal meeting in May. This will give the year-end position for the 2022/23 financial year.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

We recommend that a data strategy is developed.

Why/impact

In order to get the best from the data held by the Authority, a data strategy is required. This will ensure the consistency of use across the Authority.

Summary findings

At present there does not appear to be a clear strategy on the best use of data.

Management Comments

The Digital Strategy 2020-23 laid the high level underpinnings for our forthcoming data strategy, which will align to the recently approved Data Management Fire Standard.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

We recommend that the performance data on the Authority website is updated quarterly.

Why/impact

This is the key public facing information on the performance of the Authority and it is therefore crucial that this is kept up to date.

Summary findings

We noted that the performance data on the Authority's website was out of date. This has now been updated.

Management Comments

The Strategic Analysts will ensure the Authority website is updated quarterly with Performance Data through the Comms department in conjunction with Community Safety Committee performance reporting.



Page 22

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 Authority should progress work at pace to identify schemes to address the future budget gap to prevent the unnecessary use of reserves.	Improvement	February 2022	The multi-year efficiency programme is currently under development and is being managed by the Programme Office. The workforce has been engaged on saving/ efficiency proposals and are currently going through a detailed review for adoption. The Executive Board have separately agreed, in principle, to the implementation of a new Target Operating Model (TOM) which is expected to bring about efficiencies to support service and non-operational estate.	In progress	Yes
2	<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>	Improvement	February 2022	As per the response above. This project management approach has been agreed and once saving proposals have been fully adopted they will be monitored as proposed.	In progress	Yes
3	We recommend that the Authority consider implementing an overall integrated performance report. This could be completed at a high level using pre-existing sub committee reports and a dashboard style of reporting.	Improvement	February 2022	The Service has continued to develop its In-Phase capability. The high-level Service objectives have now been input into In-Phase and an agreed method of uploading KPI data from Service databases into In-Phase via the cloud has been established. The next element of this will be to train the Data Analysts on how to facilitate this. The data analysts have also worked alongside key internal stakeholders to develop KPIs for all of the Service priorities, including priorities 3 and 4. The outstanding element of work is the aforementioned uplift of the KPI data into In-Phase. The target is to have a fully integrated planning and KPI system in place using In-Phase by the start of the 2023/24 financial year.	In progress	Yes

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	We recommend that the Authority consider adding Red One Limited to the risk register.	Improvement	February 2022	Red One has now been added to the risk register.	Yes	No
5	We recommend that the Authority implement a formal partnership register	Improvement	February 2022	The 2010 IDeA report is being reviewed and in addition to populating a Partnership Register, existing partnerships will be assessed against the Framework requirements with completion by the end of the financial year.	In progress	Yes
	We recommend that the Authority consider the scope of benchmarking and learning from other organisations within its overall performance management.	Improvement	February 2022	Whilst the Service receives currently benchmarking data from CITFA and the HMI (the latter using Power-BI), the Authority have not optimised its use. This is being addressed by the development of a data strategy which will include benchmarking. The first draft of that strategy is due to be completed by the end of the current calendar year.	In progress	Yes

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Authority's financial statements on 23 February 2023.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Authority's Audit and Governance Committee on 18 January 2023.

Page 25

Preparation of the accounts

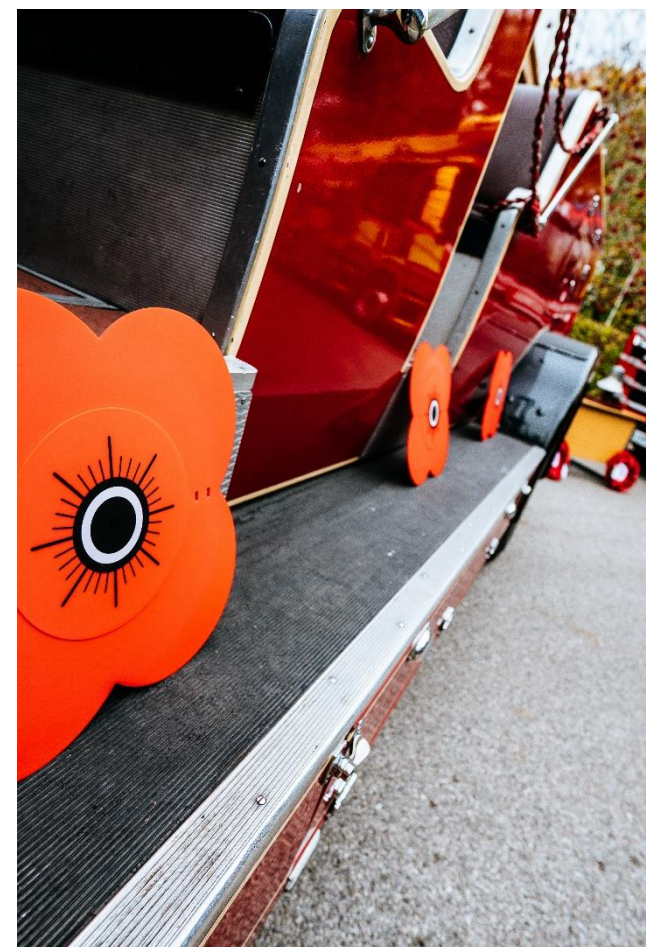
The 2021-22 financial statements included group financial statements for the first time.

The full version of the draft financial statements were received on 12 July 2022. Our initial review identified a number of inconsistencies with items in the Comprehensive Income and Expenditure Statement not agreeing to supporting notes and a number of other more general inconsistencies, covering both the group and single entity financial statements. During the Audit there were delays in providing supporting evidence and there were a number of iterations of the accounts in order to correct the errors. This has led to additional fee being charged for the audit.

This issues were all addressed in the final set of financial statement.

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 Authority

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.

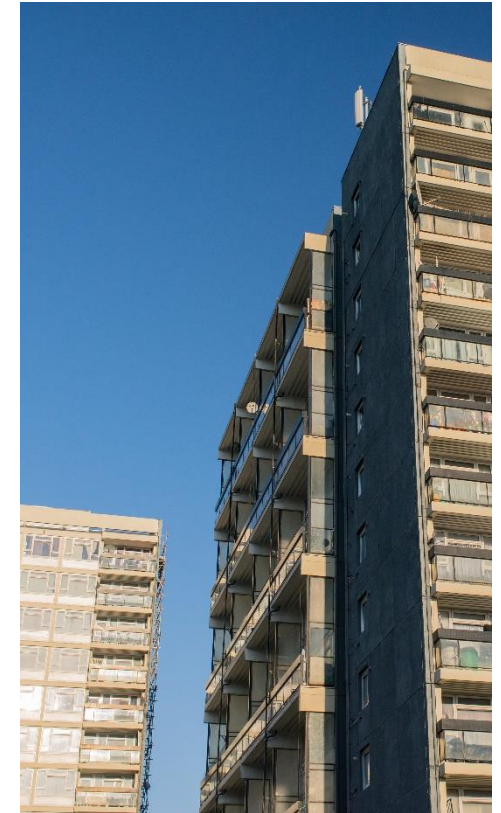
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Treasurer 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 Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer(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 Treasurer is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	9, 14 and 18-22
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 Authority. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	No	N/A

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